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NEWS SUMMARY

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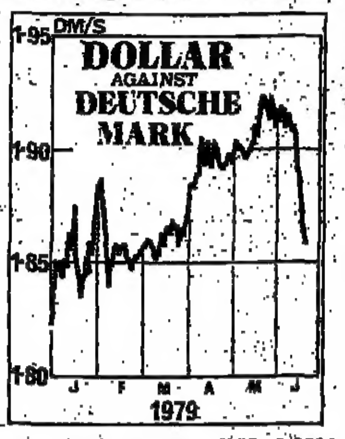
BUSINESS

Dollar down against D-mark

● DOLLAR lost ground against many major currencies—for the seventh consecutive trading day in Frankfurt, where the Bundesbank bought $20m. The U.S.



currency close at DM 1.8580 (DM 1.8640) and SwFr 1.6605 (SwFr 1.6740). In New York the dollar's slide continued against the D-mark and sterling.

● STERLING continued to rise in busy trading and it closed at its highest since August 1975—70 points up at $2.1400. Its trade weighted index rose to 68.9 (68.8), its highest since March, 1976. The dollar's index fell to 85.7 (85.6). Back Page.

● EQUITIES were depressed by the Bank's warning of a continuing squeeze on company earnings and industry's sharply lower profits figures for the first quarter. The FT ordinary index fell 10.2 to 474.9.

● GILTS eased and the Government Securities index closed 0.12 down at 70.76.

● GOLD rose $1 to $28[illegible] in London, and in New York the Comex June settlement price was $281.90 ($279.80).

● WALL STREET closed 3.81 up at 843.64.

● FT COMMODITIES index reached a new high of 303.85, pushed up by prices rises in coffee and tin. Cash tin rose £475 to a record £8,450 a tonne. Page 39

● SAUDI ARABIA has said it has no plans to increase its oil production, but Crown Prince Fahd has said he will oppose any price rise at the OPEC conference. Back Page

● BRITAIN is likely to import up to 5m tonnes of coal this year. The Central Electricity Generating Board, which is prepared to burn 80m tonnes, would like to secure long-term contracts for cheaper Polish and Australian coal, but the NCB is insisting that any increase in imports be made on the spot market to protect its own production.

● NEW ZEALAND has devalued the NZ dollar by 5 per cent, as part of a budget designed to boost exports. Page 4

● BSC could break even by its target date of March next year when the Government's subsidy ends, according to its chairman, Sir Charles Villiers. Back Page

● RACAL ELECTRONICS reports a 23.7 per cent increase in pretax profits to a record £61.6m for the year to March 31. Page 24 and Lex

DIVIDEND CHANGE

Dividend yields in the FT Share Information Service have been recalculated to allow for last week's income tax cuts. The result is that advance corporation tax falls, and gross dividend yields are reduced accordingly. The change is also shown in the FT-Actuaries Share Indices. Some companies may decide to maintain their gross dividend by increasing their net payments. Such increases will be taken into the calculations as they are announced.

PRICE CHANGES YESTERDAY

(... pence unless otherwise indicated)

RISES			Courtaulds	93	− 4
...	101	+ 6	EMI	94	− 4
...team	116	+ 7	E.R.F.	112	− 7
...lor	56	+ 6½	Ferranti	390	− 20
...	144	+ 6	GEC	353	− 13
...Docks	180	+ 5	Glaxo	450	− 13
...	278	+ 8	Grand Metropolitan	131	− 5
...h (F. W.)	80	+ 3	ICI	354	− 10
...	182	+ 20	Irish Distillers	199	− 5
...	256	+ 8	Land Secs.	280	− 5
...nsport	374	+ 8	Lucas Inds.	273	− 7
...	240	+ 8	Metal Box	284	− 10
...Pacific			Minet Hldgs.	129	− 6
Minerals	720	+ 95	NatWest	345	− 8
Pacific			New Throgmorton Warrants	58	− 6
Petroleum	275	+ 35	Rank Org.	218	− 10
FALLS			Royal Insurance	335	− 14
...ne 1988 A	£86½	− ⅞	Tate & Lyle	145	− 7
...Ireland	335	− 15	Century Oils	79	− 7
...(S. & W.)	193	− 9	Cons. Gold Fields	232	− 8
...s.	168	− 6	RTZ	291	− 7

European Ministers agree to farm price increases

BY MARGARET VAN HATTEM IN LUXEMBOURG

European Farm Ministers yesterday agreed in principle to increase prices for most agricultural products—thereby accepting that Community food surpluses will increase.

The deal, which allows a 1.5 per cent average increase on all products except milk, results from an unexpected climbdown by Britain which, for several years, had been fighting for a freeze on all farm prices.

British farmers, however, will benefit by a further 5 per cent devaluation of the green pound, giving them an effective 12 per cent increase since March in prices received for their products.

Food prices paid by British consumers could rise by 3 per cent, adding just under 1 per cent to the retail price index, according to calculations here last night.

The provisional agreement by the Nine Ministers sparked off a bitter row here. Mr. Finn Olav Gundelach, the Agriculture Commisioner, accused Britain and West Germany of abadoning him by giving in on the prices issue. He said "I am deeply depressed, but I have not yet been raped."

The package will cost the EEC budget an estimated £900m (1.4bn European currency units) more than the earlier proposals by the Commission, which included a price freeze.

Most of the EEC budget is spent on agriculture so that Britain, which has a very small farm sector, gets a relatively small amount back.

The main elements so far agreed in principle, include:

● A freeze on milk prices in 1979-80.

● A 1.5 per cent average rise on all other products.

● A 5 per cent devaluation of Britain's green pound.

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Package hits livestock producers, Page 39

● No change in the current 0.5 per cent milk tax known as the co-responsibility levy.

● Germany to cut its monetary compensatory amounts (MCAs) by one per cent.

● Belgium, Luxembourg and the Netherlands to cut their MCAs by 0.5 per cent.

The Ministers threw out Commission proposals for a stringent tax on milk production and were expected later last night to reject proposals to cut sugar subsidies.

The deal in principle has resolved the main outstanding obstacles

The agreement vindicates the tactics adopted by France, which appears to have achieved all its main goals over prices. France has insisted all along on a price rise, without which it could not have persuaded Germany to cut is monetary compensatory amounts (the subsidy paid on its farm exports to offset the impact on national prices of the rise in recent years of the D-Mark).

Mr. Gundelach angrily dissociated himself and the Commission from the agreement.

"*The council showed it* totally lacked the will to tackle the serious problem of farm surpluses and their budgetary consequences," he said.

"I will live to fight another day—but I would lose all credibility if I were associated with this package."

Mr. Peter Walker, the Minister of Agriculture, welcomed the agreement as "a good first step" towards reducing surpluses and the cost of farm spending. Although it was only a start, it was the lowest price increase awarded in years. It would stimulate investment in British farming, with considerable benefits to the British consumer and to the UK balance of payments, he added.

Herr Josef Ertl, the German Minister, who has kept a low profile throughout the negotia*tions, said that nothing yet had* been formally agreed, but gave no indication that he might retreat from the agreement in principle.

Walker to face Commons storm

By Richard Evans, Lobby Editor

THE RISE in food prices following the Brussels negotiations is certain to trigger a major political row and Labour leaders were preparing last night to censure the Government for failing to insist on a *freeze* across the board.

The news was seen by shadow Ministers as further evidence of the Government's "cavalier attitude" towards rising inflation and Mr. Peter Walker, Agriculture Minister, can expect at a hostile reception when he makes his anticipated statement to the Commons.

The projected rate of inflation in the autumn is seen as *the critical factor in the next* wages round and Labour leaders were predicting that the latest rises made it less likely than ever that the trade unions would be able to table modest wage demands.

Mr. Roy Hattersley, former Prices Secretary, said last night he could not understand why the Government seemed to have abandoned any form of counter-inflation policy.

Mr. Roy Mason, Shadow Agriculture Minister, said that Mr. Walker "has failed abysmally and let down the British housewife."

He believed the results heralded a distinct change towards a dearer food policy and the British consumer was in for a bad deal.

With a 5 per cent devaluation in April and another 5 per cent now, there would be an effective 2 per cent increase in food prices and this was on top of the predicted autumn inflation rate of 17½ per cent, Mr. Mason said.

Tory MPs in rebellion over pay rise

BY ELINOR GOODMAN

THE GOVERNMENT faces possible defeat in the House of Commons after Tory MPs rebelled yesterday over plans to delay implementing the full 74 per cent pay rise for MPs recommended by the Boyle Committee.

Despite the scale of the rebellion, Ministers last night were hoping that once MPs had had time to reflect they would realise the weight of public opinion against their demands. It is possible Ministers may decide to climb down rather than risk defeat.

The Cabinet believes that politically it would be extremely damaging for MPs to be given such exceptional treatment, at this stage of the Government's life.

Even so, some Ministers were reconciled to a defeat on the grounds that if MPs voted for a bigger immediate increase than proposed they, rather than the Government, would be blamed.

Ministers decided on Wednesday to accept Lord Boyle's recommendation that the basic rate of MP's pay should be increased from £6,897 to £12,000. But they disagreed with his proposed timing.

Boyle gave them the option of introducing it all at once or in two stages.

But Ministers decided that even the latter would mean an unacceptably large increase in pay. The two-stage rise would have resulted in MPs getting another £2,500 next November just at the beginning of the next pay round.

For this reason it decided that the increase should be introduced in three stages of £1,700, the last in June 1981.

Whether these later increases should be likened to inflation in some way was left open, though some Ministers believe that it would be very unwise for the Government to be seen to approve indexation now.

Mrs. Thatcher has decided to forego her recommended increase, *for the moment.*

The decision was met with howls of rage on both sides of the House when it was announced by Mr. Norman St. John Stevas, Leader of the House.

Tory backbenchers joined Labour in attacking the phasing and apart from Mr. St. John Stevas not a single Tory defended it.

Behind the anger was the fear that MPs pay would again be *allowed to fall behind that of* some professions. In some cases, the worry was intensified by the thought that the Government might be forced to introduce a pay freeze before 1981.

Later, at a meeting of the 1922 Committee of Tory backbenchers, it was made clear to Mr. St. John Stevas, who was at times shouted down by angry MPs that while they might stomach a two-stage increase they could not accept three.

With the Prime Minister in Strasbourg, Mr. James Callaghan, was able to take on the role of elder statesman, claiming to represent the feelings on both sides of the House. He urged the Government to reconsider, and give MPs a chance to vote on the increases recommended by Boyle.

The report of the Boyle *Committee, originally intended* to take the politics out of MPs pay, has been regarded by Ministers as another major headache left by Labour.

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EEC leaders call for study of UK contribution

BY GUY DE JONQUIERES, COMMON MARKET CORRESPONDENT

LEADERS of the nine Common Market countries agreed yesterday that a major study should be made this year of the problems created for the UK and Italy by the mounting size of their net contributions to the EEC budget.

They have instructed the European Commission to prepare an analysis of the impact of member states' economies, on the transfer of EEC resources and to recommend reforms which could be made to redress imbalances.

The Commission report is due to be submitted to the EEC Finance Council by October. *The Heads of Government will* then discuss possible changes to the Community's financial system when they meet in Dublin in November.

The UK Government hopes that the Dublin meeting will take firm decisions which could be put into effect in time to reduce UK net contributions from the beginning of next year. Treasury estimates are that net payments will exceed £1bn in 1980.

According to British officials, the rest of the EEC has accepted that htere is at least a prima facie case for reform. Both French and German officials appear to support this view, though without committing themselves to taking any specific corrective measures.

The leaders have failed so far, however, to agree on a common position on the energy crisis in advance of next week's *Western economic summit in* Tokyo, though they are due to continue their discussions tomorrow.

Peter Riddell, Economics Correspondent, writes: Britain is to participate in the short-term central bank currency swap facilities of the European Monetary System.

This was announced last night on the first day of the EEC summit in a parliamentary written answer in London by Mr. John Biffen, the Chief Secretary to the Treasury.

The move will not entail any significant change in the management of the UK's reserves or in its currency intervention policies.

Mr. Biffen said the decision "will make it clear that whatever our decision in due course on participation in the exchange rate arrangements we desire to be closely involved in the evolution of the European Currency Unit and of European monetary institutions."

The decision had been expected but was not announced earlier because of the General Election. It represents a de*claration of Britain's interest in* the development of the EMS.

Continued on Back Page

U.S. trade balance in surplus

BY JUREK MARTIN, U.S. EDITOR, IN WASHINGTON

THE U.S. balance of payments on current account moved into surplus for the first time in more than two years in the first quarter of this year, the U.S. Commerce Department announced yesterday.

Nobody in the Administration expects a surplus to be maintained over the coming months, *especially in the face of much* higher prices for foreign oil. But the performance of the first three months amply justifies the official contention that the underlying trend in the U.S. payments position, where chronic large deficits have been persistent sources of weakness for the dollar, is in process of substantial improvement.

The $157m first quarter surplus contrasts with a deficit in the final quarter of last year which the Department has sharply revised downward to only $313m from its original estimate of $1.34bn.

The principal factors in the *first-quarter improvement* were a sharp swing of funds back into the U.S., attracted by a stronger dollar and higher domestic interest rates, and some continued contraction in the deficit on the trade account.

In the period, the outflow of dollars into U.S. assets overseas fell to only $6.2bn, compared with $30.3bn in the final quarter of last year, while claims on foreigners reported by U.S. banks fell by $5.8bn, compared with the record $22bn increase in the final three months of last year.

Bonn pessimistic, Page 3

£ in New York

—	June 21	Previous
Spot	$2.1465-1475	$2.1330-1340
1 month	0.62-0.57 dis	0.77-0.72 dis
3 months	1.65-1.60 dis	1.86-1.81 dis
12 months	4.80-4.70 dis	5.00-4.90 dis

Times is dead—union leader

BY ALAN PIKE, LABOUR CORRESPONDENT

THE TIMES NEWSPAPERS dispute took one of the most serious turns in its seven-month history last night when the National Graphical Association decided to find new jobs for its 600 members at the company.

"We have had to come reluctantly to the conclusion that The Times and Sunday Times are dead," said Mr. Joe Wade, general secretary, after the decision by his union's national council.

NGA members were among more than 3,000 Times Newspapers' employees — three-quarters of the workforce—who were dismissed when publication was suspended on November 30. Since then the union has kept the workforce together and paid its members £80 a week.

The union will now seek work for its Times Newspapers members elsewhere in the industry. When this process is complete it will have deprived the company of the nucleus of its skilled workforce and make the prospect of Times Newspapers resuming publication in the future more difficult.

Mr. Wade said the union would not have decided to seek new employment for The Times Newspapers workforce if it believed there was any prospect of a negotiated settlement.

The union, he said, continued to hope that The Times publications might re-appear under a new management but the company continued to insist that they were not for sale.

Times Newspapers will consider the implications of yesterday's NGA decision. Mr. Duke Hussey, chief executive, commented: "We remain, as always, willing to negotiate."

The union will arrange meetings with its Times Newspapers members and officials of its London region to discuss alternative employment.

It will be a long, difficult process to find acceptable new work for all 600 NGA members at Times Newspapers. This will raise suspicions that yesterday's move is a tactical one by the union in an attempt to break the long deadlock. However, Mr. Wade emphasised that the decision had been made because the NGA considered re-publication was unlikely.

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For latest Share Index phone 01-246 8026

STOCKHOLM PEACE INSTITUTE SOUNDS NUCLEAR WARNING

More accurate arms heighten risk of war

BY WILLIAM DULLFORCE IN STOCKHOLM

HOT ON the heels of the signing of the Strategic Arms Limitation Treaty—SALT II—by Presidents Carter and Brezhnev in Vienna earlier this week comes a warning that improvements both powers are making to the accuracy of their nuclear weapons increase the possibilities of a nuclear war.

Nuclear strategy on both sides is seen as switching from deterrence based on the threat of mutual destruction to a so-called counter-force doctrine, putting the premium on the ability to hit military targets. This change in emphasis, it is claimed, will increase dangerously the temptation to strike first.

The warning is contained in the 1979 yearbook of the Stockholm International Peace Research Institute (SIPRI)* published today. The yearbook also challenges the assumptions behind plans by the NATO countries to increase defence spending, but finds that the Soviet Union has only itself to blame if misleading analyses of its military expenditure have prompted the NATO reaction.

SIPRI is an independent research institute with an international staff financed by the Swedish Parliament. As its name implies, its commitment is to the cause of disarmament, but over the past 10 years its yearbook has provided a valuable chart of the changes in the world's arsenals and of trading in weapons.

The latest issue, however, contains two critical judgments about recent developments in the balance between the two main blocs, NATO and the Warsaw Pact. SIPRI's British director, Dr. Frank Barnaby, argues that the faster the two big powers switch to counter-force nuclear strategies, the greater becomes the probability of a nuclear world war.

The big powers, in SIPRI's view, are acquiring the power to destroy each others retaliatory forces through the development of nuclear weapons of far greater accuracy. New warheads for the U.S. Minuteman missiles, for instance, can land within 200 metres of their target. The next generation of these missiles will be accurate to within a few tens of metres and could destroy missiles buried in hardened silos.

In anti-submarine warfare new systems being developed will make it possible to detect and destroy submarines anywhere in the oceans, says SIPRI. nuclear missiles are becoming nuclear-war fighting weapons, whose precision could give decision-makers the "misplaced confidence that they can actually fight and win nuclear wars, rather than simply deter them."

The SALT II agreement is essential for political detente, in Dr. Barnaby's argument, but it is unlikely to bring the nuclear arms race under control.

The NATO countries' decision to increase their military spending by 3 per cent a year was based on "dubious" propositions about Soviet defence expenditure, in the institute's opinion. These are that Soviet spending exceeds that of the U.S., that it is taking an increasing share of Soviet GNP and that it has been rising by at least 3 per cent a year in real terms for a long period.

The big powers are acquiring the ability to destroy each other's retaliatory forces through development of far more accurate nuclear weapons. The next generation of U.S. Minuteman missiles will be accurate to within a few tens of metres.

These estimates came from U.S. intelligence agencies which, according to SIPRI, construct them from figures of Soviet military equipment output translated into the costs it would take the U.S. to reproduce the same military effort. Valuing the military output of a more labour-intensive country such as the Soviet Union at U.S. prices distorts the actual situation, it says.

On the other hand, the institute makes the point that misleading analyses of the Soviet defence spending are only possible because the USSR "practices virtually total concealment." The Soviet Union has only itself to blame, if exaggerated estimates of its spending are propagated in the West.

SIPRI's tables on world armaments reveal some interesting developments. While world defence spending has not altered substantially over the past two years, there has been a continuing increase in Third World expenditure on weapons. This has doubled during the 1970s, increasing faster than these countries' GNP growth. And 70 per cent of the global arms trade is now directed to the Third World, most of it to the Middle East.

However, a significant new trend has emerged. Although the largest arms importers last year were in the Middle East, military spending in the area has in fact fallen by about a quarter from the peak reached in 1976. Instead, the rate of military expenditure has picked up in Africa and the Far East.

In Africa (which, in the SIPRI tables, excludes Egypt) military spending has speeded up from an 8 per cent annual growth rate in real terms in the five years to 1973 to an annual increase of 15 per cent in the past five years. The largest single component is South Africa's military budget, but the institute also records a tendency to push up spending in East Africa.

In the Far East, excluding China, defence spending has grown by an average of 8 per cent a year in the past decade. More recently, the impending U.S. withdrawal has prompted a sharp increase in the military budgets of South Korea and Taiwan. SIPRI notes that there are no reliable estimates for military expenditures by Vietnam, Laos or Kampuchea.

It puts the current value of the international arms trade at \$20bn a year. The largest suppliers in 1978 were the U.S. (47 per cent), the USSR (27 per cent), France (11 per cent), Italy (4 per cent) and the UK (4 per cent), but several other countries, which have established their own weapons industries, have entered the market. Israel, South Africa, Brazil, Argentina and India are given as examples.

To keep matters in perspective, it should be stated that of SIPRI's estimated total world military spending of \$410bn at current prices, the NATO and Warsaw Pact countries together account for 71 per cent. The U.S. and USSR, running neck and neck in the tables, provide over half.

**World Armaments and Disarmament ?SIPRI Yearbook 1979, published by Taylor and Francis Ltd., London.*

Havemann calls for free speech

WEST BERLIN — East Germany's leading dissident, Dr. Robert Havemann, called for freedom of speech and the release of political prisoners in an open letter to the Communist Government made available in West Berlin yesterday.

Dr. Havemann, fined 10,000 Marks (£2,500) by a local court on Wednesday for publishing books in the West without permission, demanded a return to a free ideological debate in East Germany,

Reuter

Belgian riot police meet a dusty Waterloo

BY GILES MERRITT IN BRUSSELS

BELGIUM'S hard-bitten riot police yesterday met their match. Used to quelling student demonstrations and outbreaks of violence that sporadically enliven the country's Flemish Walloon language war, the paramilitary riot squads were checked by dustmen.

In a protest against the bankruptcy that faces the city of Brussels and threatens the salary payments of its municipal employees, huge dust carts yesterday morning rolled into the city centre at the head of a march of discontented firemen, dustmen and emergency service workers.

Spiked chains were thrown across main roads leading to the city's governmental offices, but to the evident discomfiture of the riot squads the dust carts proceeded unconcernedly

The dust cart demonstration was intended to draw fresh attention to the plight not only of the financially hard-pressed Brussels communes, but also to the troubles that now beset municipal authorities throughout Belgium.

Failure to reform local rating systems in line with growing communal costs has precipitated a financial crisis that is beginning to touch some of the country's principal cities.

Recently, the famous and picturesque Flemish city of Bruges declared that its municipal coffers contained less than BFrs 900 (£15).

The Belgian Government was alerted to the seriousness of the crisis at the beginning of June, when Brussels announced that it was unable to pay its 2,400 municipal workers. Standby credit was hurriedly arranged, but the scale of Brussels' financial difficulties alone means that a major rethink is needed. Many of Brussels' 19 communes have spent their projected 1980-81 budgets, and for 1978 ran a deficit of BFr 6.75bn (£10bn).

Union in protest march on Rome

By Paul Betts in Rome

SOME 200,000 members of Italy's engineering and metalworkers union will march on Rome today in a mass demonstration which marks the climax of a week of sharply deteriorating industrial relations in the country.

The 1.5m members of the metalworkers union together with 10m workers in other sectors are stepping up industrial unrest in an attempt to settle a series of major three-year national labour contracts before the summer holidays in August.

But the protracted negotiations between the unions and employers are completely deadlocked because of the intransigent position adopted by both sides.

The negotiations with the metalworkers are particularly important because their contract traditionally sets the broad pattern of all other labour settlements.

Talks between the metalworkers union and private employers broke up yesterday after the refusal of the latter to accept demands for shorter working hours. Employers are also insisting that the unions moderate new wage claims, and there are further difficulties over demands for greater union say in the investment policies of companies.

The metalworkers' leaders warned yesterday that unless agreement was reached soon there would probably be what they called "a hot autumn" after the summer break. Already, in the northern industrial city of Turin, labour demonstrations outside Fiat car manufacturing plants have erupted into violence.

The last time the metalworkers staged a mass demonstration in Rome was in December 1977. Their so-called "march on Rome" played a significant part in bringing about the fall of the then Government by putting pressure on the Communist Party to withdraw its parliamentary support.

The latest wave of industrial unrest also appears partly to reflect disappointment by a large number of union members about the recent electoral setback of the Communist Party.

The intensification of strikes and labour agitation is expected to make the task of forming a new Government more difficult since they could condition the attitude of the Communist party, which is trying to recover the sympathies of its disgruntled rank-and-file.

The question worrying many Italian politicians, including representatives of the Left, is whether the Communist Party's intention of returning to opposition will lead to a further deterioration of the country's already tense labour relations

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Mitterrand's withdrawal rallies party

BY DAVID WHITE IN PARIS

M. Francois Mitterrand

CONTROVERSY over the recounted results of the European election has rallied the divided ranks of the French Socialist Party behind its leader, M. Francois Mitterrand.

M. Mitterrand announced on Wednesday evening that he would resign the European Parliament seat he won on June 10 as head of the joint list of Socialist and Left-wing Radical candidates.

He accused the electoral authorities of "dishonesty against the law" and "fraud" for giving the Government-backed list, led by Mme. Simone Veil, one more seat, and the Socialists one less, than was announced in the initial results.

The Giscardians will now have 26 seats and the French Socialists 21. The change arose from the fact that some 100,000 votes were counted as void in the initial results because they had not been made with the proper ballot slip. The authorities finally decided to count electoral pamphlets featuring a list of candidates and placed in the ballot box as valid votes for that list.

M. Mitterrand's protest could not have been better timed. The issue promises to mitigate for a while the internal quarrelling between his supporters and the dissident factions, which have seemed increasingly likely to challenge his leadership.

Two of the party's most prominent figures, M. Michel Rocard and M. Pierre Mauroy, brought the row into public view last weekend by threatening to boycott a national convention called by M. Mitterrand for this coming Sunday. This followed criticism of the party leadership's election campaign.

The party's executive bureau, however, gave unanimous backing for M. Mitterrand's protest, and brought out a declaration condemning the final election result as "inadmissible" and referring the question to the Council of State, the consultative body on such matters.

M. Mauroy, Mayor of Lille, who in recent months has joined the opposition to M. Mi- terrand, offered to give up own seat in the European P- liament so that M. Mitterr- could remain in the ne- elected body.

M. Jacques Chirac, the Ga- list leader, whose position, l- M. Mitterrand's, has seem- shakier because of disappoi- ing European election resu- also retrieved himself so- what this week.

The Gaullist RPR party's c- tral committee voted a mot- of confidence in M. Chirac, w- reaffirmed that he would - resign the leadership follow- the party's very meagre June election result. He avoi- replying, however, to dema- expressed within the party fo- less aggressive attitude towa- the Gaullists' coalition partn-

This fresh show of u- demonstrates that the Gaulli- at least, accept M. Chirac, their only possible leader. Bu- is unlikely to dissuade i- viduals within the party, incl- ing some of its power "barons," from continuing attack M. Chirac for his st- tactics and ambitions.

Spanish unions call strike over newspaper closures

BY DAVID GARDNER IN MADRID

SPANISH newspapers face strikes and stoppages today, in protest at the Government's closure of six newspapers and a press agency earlier this week. The papers were part of the so-called State Media for Social Communication (MCSE), the state-controlled chain of 35 newspapers inherited from the Franco regime.

Unions in Barcelona, where two papers were closed by the government decree, have called a six-hour strike which is expected to draw wide support. In Madrid, the unions have called stoppages of not less than half an hour, with a demonstration next Tuesday and longer stoppages likely later in - week. The newspaper closed - the capital was Arriba, b- known of the MCSE chain - latterly regarded as the offi- government newspaper.

The Government has - nearly three years to decide - the chain's future, and MC- employees believe it - delayed its decision until - so that the papers would - themselves into increasing de- and their closure would appe- the result of economic necessi-

This would clear the w- they argue, for the govern- UCD party to set up pape- sympathetic to its view- possibly using MCSE plant

...hmidt to ...ise arms ...ue with ...viet PM

...ger Boyes in Bonn

...HELMUT SCHMIDT, of ...ermany, will hold talks ...eek with Mr. Alexei ..., the Soviet Premier, ...re expected to deal with ...ramework of future ...II negotiations and the ... of intermediate range ... weapons.

...alks, to be held during a ...topover in Moscow on ... en route to the Tokyo ...ic summit, are unlikely ...e the individual details ...T III. But they will at ...to maintain the impetus ...to the nuclear arms ...process by the signing ...T II early this week by ...nts Jimmy Carter and ...Brezhnev.

... is concerned that ...III, which will directly ...European security, will ... bogged down in ... between the U.S. and ...ver definitions and pro... Germany is thus ... for an agreement on ...mework for SALT III ...fore the NATO summit ...mber, unless the U.S. ... delays ratification of ...I until 1980 or vetos the ...nt altogether.

... main difficulties in ...up the SALT III talks ... the German view, be ...ssification of strategic ...tical weaponry and the ...ration of the Europeans ...West and East—into the ...ed SALT framework.

... way around these ...s has been suggested by ... Christian Democrat ...ns, Herr Markus Berger ...err Peter Wuerzbach. ...ave proposed that SALT ...ivided into two sections, ...ndling theatre nuclear ... and the other ...

... sections would hold ... meetings and there ...e considerable interplay ... the two sets of talks. ...perpowers would take ... both sections and the ...ns would be repre... in the theatre nuclear ...

... believed, however, that ...iet Union may be reluc... share the negotiating ...with its Warsaw Pact ...hen nuclear issues are ... discussion. This is ... to be one strong ...for involving Moscow in ...parations now

Bonn pessimistic on U.S. outlook

BY JONATHAN CARR IN BONN

WITH ONE week to go to the Western economic summit conference in Tokyo, the West German Economics Ministry has drawn a sombre picture of the immediate prospects for the United States economy and the dollar.

It fears that—not least because of the oil price increase—the U.S. battle to curb its inflation and trade deficit problems will not have the success hoped for in the second half of this year.

This would lead to a new threat to the stability of the dollar—stability which is so essential to the improvement of the climate for international economic growth, the ministry says.

The points are made in documents prepared by the ministry and placed before leading state and provincial economic officials meeting here yesterday.

The papers are intended as orientation for the officials who meet several times a year to discuss the current economic situation and prospects. This time, they also serve as an indication of government concerns just before the Tokyo conference.

The ministry does not directly criticise U.S. economic and financial policy—indeed, it appears to believe that the Washington Administration is moving in the right direction. But it does indicate that the movement is so slow as to threaten the economic recovery efforts of other nations.

The ministry remains relatively optimistic about West Germany's own economic prospects, feeling that the target of 4 per cent real growth for 1979 can still be attained, despite difficulties over oil and the partial loss of Iran as an export market.

It underlines the sharp rise in inflation rates in Europe as well as the U.S., and suggests that current account imbalances between the European countries could increase once again this year.

The oil problem had made the need for effective stability policies still more urgent, the Ministry said. Increased inflation and renewed money market turbulence would undermine all efforts to achieve economic improvement and a cut in unemployment.

Stressing that the uncontrolled development of oil prices would have disastrous consequences for the world economy, the Ministry reasserts the need for a "co-operative oil management," an idea bound to be developed by the West Germans in Tokyo.

Walker opts for farm price compromise

BY MARGARET VAN HATTEM IN BRUSSELS

EARLY YESTERDAY morning in Luxembourg, large cracks appeared in Britain's hitherto tough position on EEC common farm prices.

Mr. Peter Walker, the British Agriculture Minister, made it clear at the end of a late night negotiating session that the UK was no longer insisting that prices be frozen on any farm products other than milk.

At mid-day yesterday, he accepted an agreement put together by his EEC counterparts to freeze milk prices, but to raise all other common prices by an average 1.5 per cent.

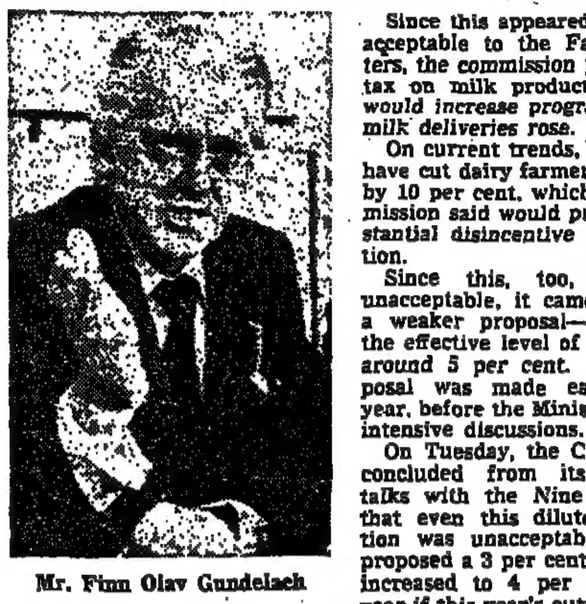
It is generally accepted in Luxembourg that a settlement in this farm price review would not have been possible, at least until the autumn, had the Conservatives upheld the rigid line of the previous Labour Government, which had threatened to veto any settlement that did not include an overall price freeze.

The EEC Agriculture Commissioner, Mr. Finn Olav Gundelach, angrily denounced the package, and dissociated the Commission from it. He reproached Britain for withdrawing much-needed support from the Commission's proposals for a price freeze.

But observers suggested that the Commission itself paved the way for the British change of position when it presented a paper on Wednesday indicating it would support a 2 per cent average price rise provided that Ministers could agree in advance to settle on this basis.

Once this paper had been put forward, it appears that France no longer felt under pressure to drop its insistence on price rises.

The Commission is believed to have dissociated as if from the new package largely because of the Ministers' total rejection of its proposals to impose a stiff new tax on milk production.



Mr. Finn Olav Gundelach

Milk surpluses are the Community's biggest agricultural problem. Supporting the high EEC milk price last year cost the Community more than £2bn (3,376m units of account), almost 40 per cent of the EEC farm budget.

Last year, milk production rose by 5 per cent to a level 17 per cent above EEC requirements. This year it has been rising by 2.5 per cent.

Faced with this situation, the Commission began last year by proposing to stop buying up surpluses when production exceeded set limits.

Since this appeared to be unacceptable to the Farm Ministers, the commission proposed a tax on milk production which would increase progressively as milk deliveries rose.

On current trends, this would have cut dairy farmers' incomes by 10 per cent, which the Commission said would prove a substantial disincentive to production.

Since this, too, appeared unacceptable, it came up with a weaker proposal—to reduce the effective level of the tax to around 5 per cent. This proposal was made earlier this year, before the Ministers began intensive discussions.

On Tuesday, the Commission concluded from its bilateral talks with the Nine Ministers that even this diluted suggestion was unacceptable. So it proposed a 3 per cent tax, to be increased to 4 per cent next year if this year's output should rise by more than 2 per cent.

But the Ministers took things into their own hands yesterday and decided to retain the tax as it stands—at a flat rate of 0.5 per cent.

Many following the talks in Luxembourg were taken aback at Britain's decision to accept the deal, a decision apparently taken while the Ministers were in restricted session, without access to their advisers and civil servants.

Mr. Walker had earlier said that the milk tax had never been intended as a disincentive to production—it was merely a useful source of EEC revenue.

He later added that he considered the milk surplus a major problem, but could not support the tax as proposed by the Commission because by exempting small farmers, it discriminated against efficient British farmers.

Mr. Walker expressed similar views on the sugar surplus, the second biggest problem, after milk. The Community has a surplus of 3m tonnes this year. He said he had backed Commission proposals to cut the quotas of sugar eligible for export subsidies, but that none of the other eight Ministers had supported him.

He added that he considered that the effects on the surplus of raising the sugar price by 1 or 2 per cent would be negligible — cutting the quota would have been a much more important step.

By conceding on milk and sugar, and on the overall level of prices, Mr. Walker opened the way for France and Germany to resolve their dispute over German farm subsidies.

In return for these concessions, Mr. Walker appears certain to secure the 5 per cent devaluation of the "green pound" for which he had pressed, together with an increase in UK butter subsidies which should partly offset the price rise resulting from the "green pound" devaluation.

For the British farmer, the package (including the "green pound" devaluation approved in March) represents an eventual price rise of 12 per cent, so the deal struck by Mr Walker will probably come as good news. For the British consumer, it means an increase in food prices of around 3 per cent —not such good news.

Euro-heads take a stroll to the summit

By Robert Mauthner in Strasbourg

THE NINE Common Market heads of government yesterday set an example to the world by taking an energy-saving stroll through the picturesque, medieval streets of Strasbourg, where they are holding their summit meeting.

The walk was Mrs. Margaret Thatcher's first experience of multi-national European diplomacy and judging by her pinched expression, the Prime Minister was not amused.

Though diligent French plain-clothes heavies had made sure that nothing would offend the leaders' sense of decorum by clearing groups of youths with bare midriffs from the route, they had not bargained with the attendant hordes of journalists.

Not even the tall, bronzed figure of President Giscard on her left and the stocky and impassive bulk of Herr Schmidt on her right could prevent Mrs. Thatcher being jostled. It was a tribute to her hairdresser that not a strand of her impressively golden coiffeur was out of place at the end of the historic Euro-walk.

To reward them for the ordeal, which only President Giscard seemed to have thoroughly enjoyed, the leaders were presented with a medal commemorating the introduction of the European monetary system last March. Noblesse oblige, even Mrs. Thatcher was given this replica of the first ecu struck by Charles VI, though Britain is not a member of EMS.

Rank was strictly respected by the protocol-conscious French hosts. The heads of government received a gilt medal, while lesser participants at the summit, such as European Commission President Roy Jenkins, had to make do with silver.

The harrassed Nine leaders were so glad to reach the haven of Strasbourg Town Hall, where they were meeting, that some of them were locked out in the general scramble for shelter. Herr Hans-Dietrich Genscher, the West German Foreign Minister, and his Dutch colleague, Mr. Chris Van der Klaauw, were seen desperately knocking on the closed doors to gain admittance.

Demand grows for Norway to order Statfjord platform

BY FAY GJESTER IN OSLO

NORWAY'S FEDERATION of Industry has joined the chorus of voices in the country urging an early decision to build a third platform for the Anglo-Norwegian Stnatfjord field.

In an analysis of the industrial spin-off from offshore activities, the federation says employment in Norwegian fabricating companies will fall sharply unless a decision to build the platform—Stratfjord C—is taken before the end of the summer.

The assumption is that the order for the third structure is bound to go to Norwegian industry. Britain has argued that a third platform should be built in the UK, which owns just over 11 per cent of the field.

The federation points out that, after 1981-82, there will be a gap in the flow of orders from the offshore industry. Statfjord B (the field's second platform) will probably be finished by then.

While the outlook for Norwegian fabricators is uncertain, companies specialising in maintenance can expect a busy time, the federation predicts. Assuming that the annual value of maintenance work on North Sea structures will be about

8 per cent of their initial cost, the total North Sea maintenance market—worth about NKr 2.5bn (£229m) today—will rise to about NKr 6.4bn (£587m) in 1984, and then level off.

Commenting on the federation's statement, the Oil Ministry said that a final decision about Statfjord C was expected before the end of this year. Contracts could not be placed until next year at the earliest.

● Norway had a payments deficit of Nkr 1,405m (£129m) in the first four months of 1979, well below government forecasts.

Irish interest rates go up

BY STEWART DALBY IN BELFAST

IRISH INTEREST rates rise to an all-time record with the anouncement yesterday that increases between 1½ and 2½ percentage points are to come into effect from close of business today.

The Irish banks standing committee also announced that deposit rates with the four associated banks will be increased by amounts ranging from 1½ to 3 percentage points.

The biggest increase in the borrowing rates comes in the Triple A category. That is the rate for local authorities, the Government and blue chip companies. The increase is of 2½ points which means that overdrafts and term loans up to one year will cost 15½ per cent. Term loans for between one and three years wil cost 16 per cent and term loans from between three and five years will cost 16½ per cent.

The increases are likely to be followed by a rise in mortgage rates which, at present, stand at 14.15 per cent.

The category to fare least badly is personal borrowers. Overdraft charge go up 1½ per cent to 17½ per cent. Loans for more than a year and up to three years will cost 10 per cent and loans for more than five years and up to seven years will cost 19.25 per cent.

The standing committee stressed that in the past interest rates in London were the predominant influence in Irish rates. But since Ireland joined the European monetary system there was an influence from international rates particularly those in other EMS countries.

OVERSEAS NEWS

Muldoon announces immediate devaluation

By Dai Hayward in Wellington

AN IMMEDIATE 5 per cent devaluation of the New Zealand dollar was announced by Mr. Robert Muldoon, Prime Minister and Minister of Finance, last night when he presented a budget strongly geared towards boosting exports, reducing imports and holding state spending.

Mr. Muldoon said it would provide a realistic base for a new flexible exchange rate policy enabling New Zealand to adjust to changes in countries with which it traded.

Future changes would be made only in small steps and would not be announced when they occurred, but the reserve bank would publish a monthly index of the dollar's value measured in terms of the basket of currencies.

Mr. Muldoon described the shortage of foreign exchange as New Zealand's major obstacle to development. He announced tax rebates or cash refunds to exporters remitting foreign earnings to New Zealand, continuing assistance to farmers in guaranteed minimum prices, and grants to upgrade export meat-freezing works. Import licensing remains but will be administered more flexibly.

Mr. Muldoon reiterated New Zealand's objection to agricultural protectionism by industrial countries, adding: "The world does not owe us a living; it does owe us the opportunity to earn one."

Despite improved exports to Asia, the south Pacific and the Middle East, he said the British market remained of vital importance.

Mr. Muldoon has budgeted for a 12 per cent increase in net Government spending of NZ$7.668m (£3,834), with an estimated deficit of NZ$1,090 to be met by borrowing.

He sliced three cents in the dollar off tax on all incomes up to NZ$11,000 and doubled the family benefit to NZ$6 a week. Property speculation tax was abolished, and a 10 per cent tax on all overseas travel has been rescinded in favour of a flat NZ$25 departure tax.

To help compensate for this loss of revenue, Mr. Muldoon imposed NZ$100m additional tax on cigarettes and liquor. New or increased taxes were imposed on jet fuel, diesel, kerosene and home heating fuels.

In an attempt to curb the price of imported fuels, the budget announced grants and tax write-offs to companies converting their vehicles to operate on domestically produced compressed natural gas.

Mr. Muldoon promised legislation in Parliament in the current session to stimulate oil exploration.

Mass strikes in Australia

By Andrew Clark in Sydney

THE 24-hour national strike, called by Australian unions as a protest against arrest of 10 of their colleagues during a meeting in Western Australia last week, finished at midnight Thursday. But it remains unclear whether further action, including a potentially damaging union ban on the exports of the state's vast mineral exports, will continue.

Australian unions, particularly their west Australian branches, are demanding the repeal of a section of the State Police Act (under which the unionists were arrested) which outlaws any public meeting without written permission of the police commissioner.

The strike brought the mining industry to a standstill, stranded ships in port and hampered business and manufacturing.

Some 1.5m workers took part in the strike.

Troops shoot at pro-Lule protesters

BY JOHN WORRALL IN NAIROBI

TROOPS opened fire in Kampala yesterday to break up a demonstration by some 20,000 people demanding the reinstatement of deposed President Yusufu Lule—who isued a statement insisting that he was still President of Uganda.

One report said two people had been shot dead and 50 wouded when Tanzanian troops were called in to break up the demonstration in the centre of the city. Eyewitnesses said the soldiers had been ordered to fire into the air to disperse the crowd.

The trouble was sparked off by the deposition of President Lule on Wednesday by the National Consultative Council (NCC), which passes for Uganda's Parliament. In his place, it elected Mr. Godfrey Binaisa, the Attorney-General, who was sworn in as President on Wednesday night on the steps of Parliament House.

However, President Lule yesterday issued a statement from State House, Entebee, where he was still living, which said he was still head of state and had instructed his cabinet to continue working normally.

He declared the NCC's action to be "unconstitutional and illegal" and later said that he considered he could only be removed through elections or a referendum.

Behind the clash between President Lule and the NCC lies a tangle of personality and ideological conflicts within Uganda's transitional Government, formed two months ago following the overthrow of Idi Amin. A centre element of the conflict is the future of exiled former President Milton Obote, who apparently wants to return home shortly. He is deeply disliked by the country's largest tribe, the Baganda.

Demonstrations demanding the reinstatement of President Lule began in Kampala on Wednesday night. Thousands marched to State House shouting "Up Lule" and "Down Ruganayo"—a reference to the chairman of the NCC.

Mr. Yoweri Mseveni, Minister of Defence in the Binaisa Government, yesterday banned all demonstrations in Kampala and warned members of the public "not to be used in a game they do not understand." All offices and factories in the capital were closed.

Two white employees of Barclays Bank were wounded on Wednesday night when Tanzanian troops opened fire as they drove their car through a roadblock.

Mr. Godfrey Binaisa, a former Attorney-General, is sworn in as acting President of Uganda.

Constitution crisis for Muzorewa

By Tony Hawkins in Salisbury

ONLY five days before the ceremonial opening of Zimbabwe Rhodesia's black-dominated Parliament, Bishop Abel Muzorewa's Government is facing a constitutional crisis caused by a split within his ruling United African National Council.

The Prime Minister said yesterday that his party would nominate eight new MPs to replace Mr. James Chikerema and his seven colleagues who resigned from the UANC on Wednesday and established their own group.

The Bishop claims that because Mr. Chikerema and his supporters were elected on a UANC ticket under the proportional representation party list system in the April elections, they are required to resign their seats when leaving the party. But constitutional experts said yesterday that not only was the new party entitled to its eight parliamentary seats but also to two Cabinet posts and one deputy ministerial post. The three ministerial posts would, in terms of the constitution, be taken from the UANC and given to the new party, thereby robbing the Bishop of his majority in the Cabinet as well as his overall parliamentary majority.

Constitutional issue

It is understood that the situation was explained to the Bishop by senior Government legal advisers yesterday. It is believed that the only way open to the Bishop to redress the situation would be by amending the entrenched provisions in the constitution. That would require his winning at least 78 of the 100 parliamentary votes.

At this early stage there are not thought to be any plans to submit a constitutional amendment to Parliament which opens next Tuesday. But the news that he will have to demote two of his Ministers and remove one Deputy Minister so that his arch-rival Mr. Chikerema can take over their posts is believed to have shocked the Prime Minister.

It is not clear whether the Bishop could muster 78 parliamentary votes to amend the constitution. There is also growing concern amongst whites that the whole carefully-planned transition to majority rule is being threatened by "irresponsible and self-seeking" black politicians.

Mr. Smith and his parliamentary colleagues will come under heavy pressure from the business community and whites generally to support the Bishop in any programme designed to ensure a strong and united black-led Government.

Limann's party leading poll

BY MARK WEBSTER IN ACCRA

THE People's National Party (PNP) of Dr. Hilla Limann looked set for victory yesterday in Ghana's parliamentary elections with all but six of the 140 seats declared.

The PNP was also in the lead in the poll for President of Ghana, although a run-off seems certain in this poll between the PNP and the People's Front Party (PFP) of Mr. Victor Owusu.

The PNP stood a chance of gaining an absolute majority in the assembly, having taken 67 seats. Its nearest rival was the PFP, which had 40 seats.

The PNP inherited the mantle of the Convention People's Party of the former President, Dr. Kwame Nkrumah, though it has considerably diluted Dr. Nkrumah's brand of African socialism.

Dr. Limann was virtually unknown in Ghanaian politics until he was chosen to lead the party earlier this year. A career diplomat, he was chosen after the party leader, Mr. Imoru Egala, was banned from taking part in the elections.

The outcome of the voting on the second leg of the presidential election depends on how voters who backed one of the minor candidates in the first round switch their vote. The outcome is very much in doubt.

Flt.-Lt. Jerry Rawlings, chairman of Ghana's Armed Forces Revolutionary Council, has said that the proceedings of secret tribunals investigating alleged corruption will be made known soon.

There were protests from several African countries, as well as Britain, when a secret court sentenced the former head of state, Gen. Ignatius Acheampong, to death by firing squad a week ago.

Flt.-Lt. Rawlings said in a newspaper interview that 50 people had been charged by the so-called "people's courts" for a variety of offences under previous military and civilian regimes. Most of them are military men, but there are also civilians awaiting trial, according to Flt.-Lt. Rawlings.

China to increase crop payments

PEKING—China is planning to lift farm production by 4 per cent during the year as part of its plan to increase the wages paid to peasant workers. Investment in farming will rise to 14 per cent of the state spending this year, against 10.7 per cent in 1978.

Mr. Yu Quili, vice-premier, chairman of the State Planning Commission, told the congress that the Government also aims to bring the rate of population growth down to 1 per cent—a target already met in 11 of China's 29 provinces, autonomous regions and cities.

Light industry would also receive an investment boost to 5.8 per cent from 5.4 per cent last year but heavy industry would be cut to 46.8 per cent compared with 54.7 per cent in 1978. There was no immediate indication of what proportion of the total national budget would be devoted to investments.

Mr. Yu was quoted as saying that the state would raise its purchasing price for grain by 20 per cent as from the current summer harvest. There would be an average increase of 24.8 per cent in prices for cotton, edible oil, pork and some other side-products.

Mr. Hua Guofeng, the Prime Minister, told the conference's opening session on Monday that with higher prices for farm products and abolished or lowered agricultural taxes, incomes would rise by an annual total of 13bn yuan for about 800m Chinese who live on the land.

Incomes vary widely on communes but the most populous province, Sichuan (Czechwan), reported an average per capita income of Y71 ($44) for the whole of last year.

The New China News Agency last night quoted Mr. Yu as saying that the total value of farm output last year was Y145.9bn ($88bn) while the equivalent figure for industry was Y423.1bn ($255bn).

Mr. Yu gave the congress a draft of the 1979 national economic plan and was to be followed by Mr. Zhang Jingfu, Finance Minister, who was presenting the final state accounts for 1978 and the state budget for this year.

Officials said most of the investment in agriculture would go into producing grain and cash crops, animal husbandry, fish farming and building up poor areas.

Agencies

'Free lunch' that went too far

BY JOHN HOFFMANN IN PEKING

EVEN IN Communist China, the wheels of commerce are occasionally oiled by those capitalist lubricants, the free lunch and the expense account.

And why not? The leadership has said that during modernisation, China would adopt recognised world-wide business and trading practices.

But the authorities have now made it clear that buttering up clients at the boss's expense is taking modernisation a bit too far.

20-day binge

The point was made recently when a provincial trade official was fired for treating seven potential customers to a sumptuous 20-day binge that drained 26,000 yuan (£7,500) from the State coffers.

Wang Zhenyu was a deputy director of Jilin (Kirin) Province's Foreign Trade Bureau, the office which regulates commercial transactions with other provinces.

He ran up the bills while entertaining officials from other parts of China who were inspecting local commodities, according to newspaper reports.

Wang had staged elaborate feasts, ignoring the Government regulation that officials on duty away from home should pay for their own food, and had disposed of one tonne of wine, 60,000 cigarettes and 12 kg. of high-grade tea.

Some newspaper readers reacted with outrage to the scandal, pointing out that Wang had squandered the equivalent of a year's wages for 100 peasants. They demanded that he should foot the bill.

A group of thrifty shop workers wrote: "When we sell toothpaste, we ask the customers to return the old, empty tubes. Like swallows building their nests bit by bit, we save what we can so as to accumulate funds for the State.

Nibbling away

"But Wang Zhenyu is like a rat, nibbling away at the foundations of Socialism."

It was not reported whether Wang's expensive exercise in public relations paid off in orders from his quests. Even if it did, his successor will have to find other ways to woo clients.

Jilin Province has banned the free lunch. Officials have been issued with a list of "seven prohibitions" which forbid even the handing out of sample goods.

S. Africa eases capital transfers

By Quentin Peel in Johannesburg

SENATOR Owen Horwood, South Africa's Minister of Finance, announced yesterday that South African residents will be allowed to transfer capital out of the country through the financial rand, South Africa's second currency, in a new relaxation of exchange controls.

The rules governing the transfer of funds by both immigrants and emigrants are also to be relaxed, in what is seen as a move to make immigration to South Africa more attractive than hitherto, as well as reducing the illegal outflow of funds. The other effect of the new moves is likely to be some expansion of the existing financial rand market, where buying has narrowed the discount on commercial rands from more than 40 per cent to nearer 20 per cent since the beginning of the year.

Mr. Horwood said the new system was a logical step along the path of reforms proposed by Dr. Gerhard de Kock to create a free foreign exchange market in South Africa. The first move was the start of a managed float of the commercial rand in January, and the extension of the use of financial rand to cover all equity investment rather than simple security investment on hte Johannesburg stock exchange.

Outward transfers of capital by South African residents will still be subject to approval by the Reserve Bank, but permission will be given more readily than hitherto, Mr. Horwood said. That was because transactions in the financial rand market would have no direct effect on official reserves, being direct transactions between residents and non-residents.

The move is likely to benefit rich emigrants, rather than the ordinary man. Whereas anyone leaving South Africa has in the past been able to transfer half his assets, up to a maximum R30,000 (£16,901), at the full commercial exchange rate, in future he may only take the normal travel allowance of R3,000 at the full rate. Any other capital up to a maximum R100,000 will be transferable through the financial rand, thereby suffering an automatic discount.

Cautious move on changes to race laws

By Our Johannesburg Correspondent

THE South African Government has baulked at major reforms to streamline its race laws, and to make the system of apartheid more efficient.

In particular, proposals to lift some of the more blatantly discriminatory laws controlling the movement of blacks in South Africa have been shelved. But the Government has agreed minor amendments to improve the quality of life for urban blacks and has accepted the principle that the cumbersome structure of laws enforcing racial separation may have to be overhauled.

These are the major conclusions of a White Paper on the recommendations of the Riekert Commission, headed by Dr. Piet Riekert, former economic adviser to the Prime Minister.

The White Paper does agree to allow greater mobility of urban blacks between different urban areas, while simultaneously tightening up restrictions on rural blacks coming to seek work in urban areas, as recommended by Dr. Riekert.

It insists that a 72-hour limit on any rural black visiting urban areas remain in force. Not only should employers face greatly increased fines for employing "illegal" black workers, but the workers themselves should face fines or imprisonment.

U.S.-PAKISTAN RELATIONS

Zia's nuclear plans endanger old ties

BY OUR FOREIGN STAFF

PAKISTAN'S continuing efforts to acquire a nuclear bomb have plunged relations with its old ally the U.S. to an unprecedented low. Although no rupture in their 25-year-old links is expected yet, Washington's commitment to Islamabad is now being increasingly questioned.

The deterioration has gone so far that Washington is understood to have withdrawn an offer to sell to Pakistan F-5 tactical fighter aircraft to replace its ageing F-86 Sabres. The Carter Administration had been trying to arrange with Congress credits for Pakistan to buy these aircraft in a bid to tempt it away from its ambitions about nuclear weapons. Now the U.S. is no longer apparently prepared to sell the aircraft at all, even if Pakistan manages to raise the cash from Saudi Arabia—something which it has been trying to do.

In many ways it is a repeat performance of Dr. Kissinger's hectic but unrewarding efforts in 1976 to stop Pakistan purchasing a nuclear reprocessing plant from France. A deal under which Washington would sell Pakistan A-7 attack aircraft was called off when it became apparent that the now-hanged former leader, Mr. Bhutto, was adamant about the plant. Later Mr. Bhutto said his country was on the verge of matching India's nuclear capability when he was deposed in 1977.

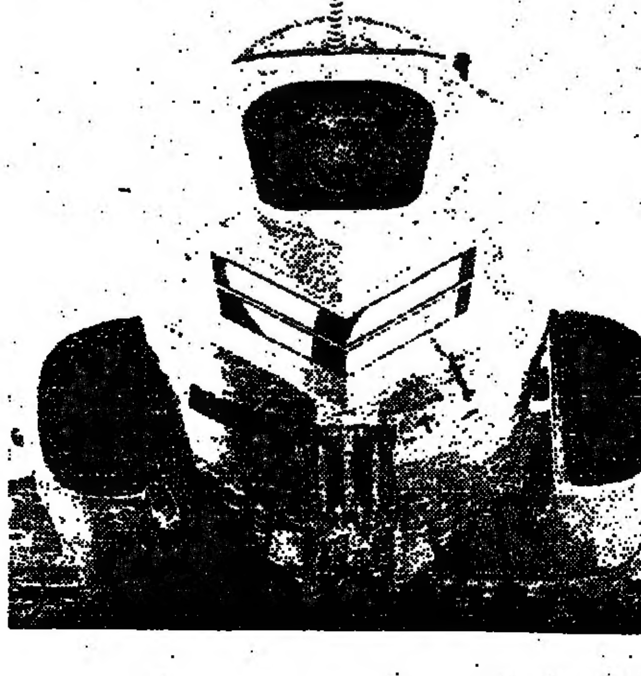
Now the issue is Pakistan military government's surreptitious purchases of components in Europe, and especially Britain, for a uranium enrichment plant being built near Rawalpindi. The U.S. has already cut off project aid to Pakistan because of these purchases, which Pakistan began when it was frustrated in its efforts to acquire key parts for the French reprocessing plant.

European governments took action to stop these purchases but the U.S. is still far from satisfied about the work going on in the enrichment plant. It is thought that Pakistan might be able to detonate a uranium device within less than two years and acquire a weapon within three to five years. If so, nuclear confrontation is threatened in the sub-continent and Pakistan might trade with its Arab neighbours an "Islamic bomb" with which to menace Israel.

The nose-dive in relations between Pakistan and the U.S. over the nuclear issue coincides with setbacks over other issues which have worsened links further. For the second year running Washington stood firm earlier this month when Pakistan requested a rescheduling of its international debt repayments from the consortium of Western aid donors. On the surface the reason was that Pakistan was not about to default on repayments. In reality it was because, on this issue as on the nuclear issue, Islamabad has done too little at home to warrant encouragement.

There is a growing feeling in Washington that the Western umbrella has allowed Pakistan to live beyond its means, not only economically but also politically—that it has hampered rather than encouraged normalisation with India. On its side Pakistan's own commitment to the West is weakening. It has withdrawn in apparent disgust from the Central Treaty Organisation (CENTO) and is now trying to join the non-aligned movement.

However, there is an important link still in place. Even though Pakistan complains about the failures of CENTO during its confrontations with India, the country has retained its protective bilateral treaty with the United States dating from 1959, under which Washington would back Islamabad in the face of a Communist threat. But this is not something Islamabad likes to trumpet at this point, even as it vents its fears about the intensifying Soviet presence in the region particularly in neighbouring Afghanistan.



● Northrop's F5 — no longer on offer to Pakistan.

AMERICAN NEWS

U.S. OIL CRISIS

Hauliers lean on Carter's energy policy

BY STEWART FLEMING IN NEW YORK

WITH EACH new manifestation of the U.S. oil crisis President Carter and his officials find themselves increasingly cast in the role of repair men struggling to plug one hole in the dam only to see the waters flooding through another breach.

It is a picture which conveys to the ordinary American a sense that his Government is rapidly losing what little control it appeared to have over energy, and which is reflected in the opinion polls when voters are asked to rate the President's performance.

It is partly in this light that the latest crisis facing Washington on the energy front, a growing shortage of diesel fuel, which is threatening to shut down the haulage industry and sections of the railroads, needs to be seen.

Yesterday thousands of independent lorry drivers began to respond to a call for a work stoppage which could within a matter of days result in supermarkets running short of fresh meat and vegetables, even tighter fuel supplies in parts of the country, and further violence.

Already one driver has been killed by a sniper's bullet, and several injured in two States, and the National Guard has had to be called out.

The drivers are tough men. Officials of the Teamsters' Union, which represents many of them, once broke a wildcat strike by firing a machine-gun into a crowd of unofficial strikers who were also, as it happened, union members.

Competition

Nobody is sure how many independent drivers there are, or what will be their response to a strike call coming from dozens of competing organisations which claim to represent them. It is estimated that there are perhaps 100,000 men who own one or two of the often elaborately decorated 70-foot truck-trailer combinations, and they account for about half the total workforce in a vital U.S. industry. In February 1974, in almost identical circumstances stemming from the Arab oil embargo, it took only a nine-day work stoppage before the Administration began to meet their grievances by pegging diesel fuel prices and moving towards controls.

Mr. William E. Simon, at the time Deputy Secretary of the Treasury, described the strike as "a threat not only to life and limb but also to the immediate food supplies of millions of people in our country." To deal with this threat the Administration froze diesel fuel prices, provided the truckers with 100 per cent of their fuel needs and pressed for other changes to alter haulage regulations to satisfy the drivers.

Many of the drivers lease or hire their rigs to bigger companies and drive them themselves — a system which absolves corporate giants in, say, the haulage and steel industries from the responsibilities of ownership and management of the rigs, and thrusts the commercial risks on individuals, who often lack financial resources and drift in and out of the industry depending on their financial circumstances.

Protected prices

The haulage industry is heavily regulated in some respects at both the state level and through the Interstate Commerce Commission (ICC) at the federal level. The ICC sets charges for certain kinds of freight, and big carriers may—but often have not—passed on the full benefit of those protected prices to the independent drivers, who they employ as sub-contractors, through the leasing agreements.

One large segment of the *cross-country haulage industry* is not directly regulated, however — unprocessed food. As a result, thousands of independent drivers are concentrated in the vital business of transporting such food as fruit, fresh vegetables, cattle and meat.

It takes little imagination to appreciate that for many independent drivers life can be an often violent struggle. Job security is minimal and their family lives attenuated by the tens of thousands of miles they drive each year across the continent.

If they react vigorously to grievances which threaten their livelihood, nobody should be too surprised. There has been enough violence at suburban petrol queues in the U.S. this year, including one or two cases of murder.

There is no doubt either that the drivers' grievances are genuine. Over the past year diesel fuel prices have risen from around 55 cents a gallon to between 85 and 95 cents. The giant rigs average four to five miles a gallon and their tanks can swallow 200 gallons at a time. As diesel supplies have shrunk, filling stations in the vastness of the western plains have rationed drivers to perhaps 25 or 50 gallons. Drivers have had to set out on the next leg of their journey not knowing where the next fuel stop will be and some have had to wait for days at a filling station, their loads rotting, until it received new supplies of fuel.

They are bitter that the Department of Energy intervened in the diesel market in May with a special allocation system to provide farmers with 100 per cent of their needs so they can plant their crops. This reduced diesel allocations to the haulage and railway industry. Drivers suspect that the oil companies are conspiring against them to withhold supplies and drive up prices, and they are angry that the big haulage corporations, with long-term supply contracts and their own terminals, do not seem to be suffering as much. Hence the threats of violence against fleet operators—threats which in 1974 frightened the fleet employees enough to make many of them quit the road too, further disrupting the industry.

In the past week the Administration has begun to try and satisfy the drivers. The ICC has so far granted them a special surcharge on freight rates of 6 per cent indexed weekly to diesel fuel prices—a move the drivers say is inadequate and of no benefit to the thousands of them in areas of trade which are not regulated by the ICC.

A problem for the Administration is to determine what concessions to make to satisfy so diverse a group of supplicants, which lacks co-ordinated leadership. Some drivers' groups are pressing for a relaxation of the 55-mile-an-hour speed limit. Others want an easing of load weight regulations. Some see in the crisis an opportunity to press for deregulation of the industry—*something to which the Carter* Administration is already committed. Still others fear that deregulation will give the giant corporations the chance to squeeze them out of business.

Malevolent force

The Teamsters' Union, a powerful but malevolent force is worried that if forceful leadership emerges from the fragmented ranks of the independent drivers, many of them might desert the union, weakening its iron grip on the haulage industry.

The hauliers' work stoppage is thus a drama being played out at many levels. It is throwing up the same bitter recriminations and confusion which permeates the U.S. energy scene as a whole and it will force the Administration into new policy initiatives.

The Administration is confronted with a series of extremely difficult choices. If it removes priority allocation for farming as the planting season winds down, who will get the freed diesel supplies? Should the hauliers or the railways be given a priority allocation and industry perhaps pressured to switch from diesel to coal? Or should the Administration leave it to market forces to allocate supplies, taking the risk that the drivers might lose out? Should the Administration wait to see whether the independent hauliers respond to the stoppage call before deciding whether drastic steps are needed? Should the oil companies be pressed to increase diesel fuel supplies, and what would be the implications of such a decision for home heating fuel oil supplies in the coming winter?

Diesel and home heating oil are similar refined products, and more of one probably means less of the other. Plugging one breach in the dam might cause it to spring a leak somewhere else. Home heating oil supplies are already threatened and prices are soaring. President Carter might have to campaign for re-election in the winter snows of New Hampshire among voters whose homes are decorated with icicles—indoors.

Mexico oil fire continues

BY WILLIAM CHISLETT IN MEXICO CITY

STRONG undercurrents and bad weather are still preventing Pemex, the State-owned Mexican oil monopoly, from bringing under control a damaged offshore oil well in the Bay of Campeche in the Gulf of Mexico. For the past 18 days the well has been belching crude oil into the water at the rate of 30,000 barrels a day.

The blowout at Ixtoc One, a field which contains an estimated 800m barrels of oil, is not the ecological disaster that Pemex at first thought it would be. The oil is light and much of it is either evaporating or is being burned off. The oil slick has not reached the coast, and while it has caused some damage to shrimp fishing, this is not considered irreparable.

Engineers are now waiting until the weather is calm enough to enable divers to cap the well.

هكذا من الأصل

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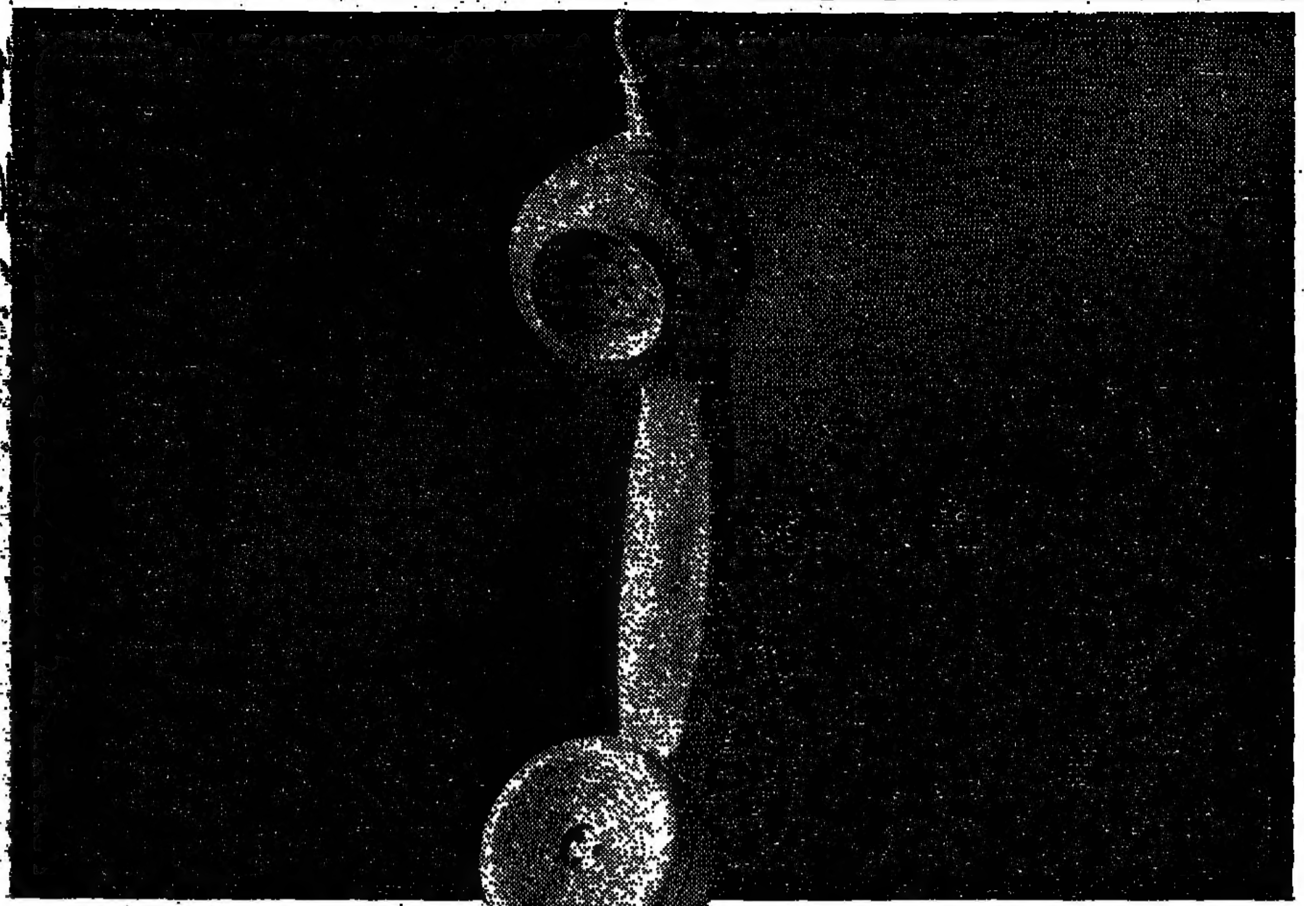

Philips have a message of hope for all hangers-on.

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The EBX 8000 typifies Philips' approach to business equipment. Put simply, it's the 'better *mousetrap' philosophy.*

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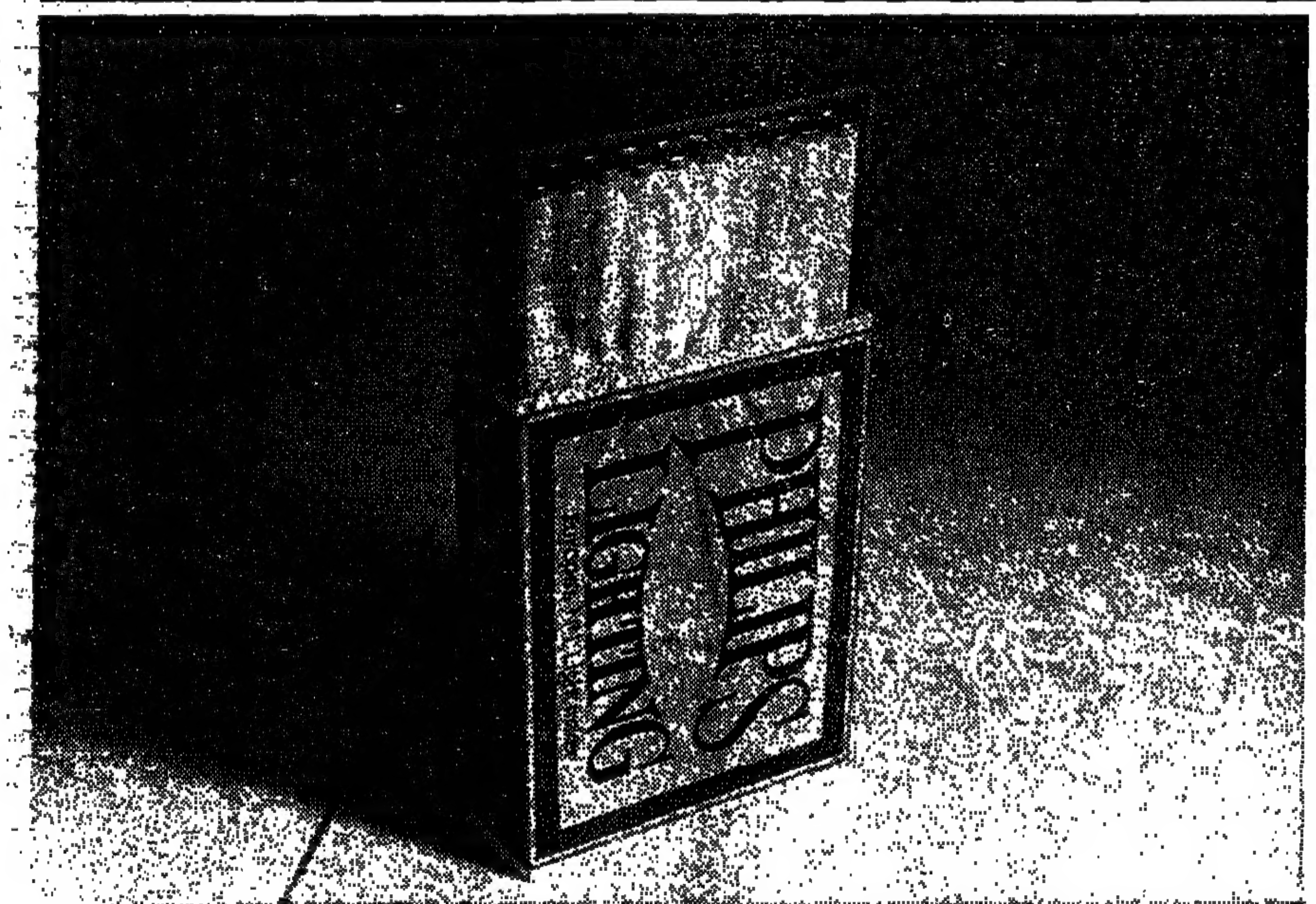
It will type them, amend them, personalize them (in the case of letters), search through a whole document for a particular phrase, and even remember that every time you say "p/eratio" you want it spelled out as "price earning ratio on a nil tax basis." Because the *P5002* uses *floppy disks* for its elephantine memory it cuts down dramatically the time your secretary needs for what is called her 'text production function' (typing, to you and me).

So she has more time *to* be a real secretary.

And this, so far as Philips are concerned, is what business efficiency is all about - making machines do the boring, repetitive parts, so that people can concentrate on more rewarding work.



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Until Philips introduced Colour 84, high ht-output fluorescent lighting gave poor our rendering, and tubes which gave faithful our were *poor in light output.*

Indifferent lighting standards–whether in ms of level of light or colour values–are bad productivity, for staff morale, and for showing ods to best effect in a store.

The breakthrough came with Colour 84. Using a new generation of fluorescent powders, derived from their knowledge of colour TV, Philips developed a unique combination of *high light output* and high colour rendering.

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Shopkeepers like Colour 84, because nobody buys a blush pink cardigan only to find it's old rose when they get it home. Office managers like it because it's easier on the eyes. And accountants like it because it cuts lighting electricity bills by up to 1/3.

Colour 84 is typical of Philips' attitude to efficiency. Don't just make something more economical. Make it demonstrably better.

And this tenet is followed *faithfully* in every area of business efficiency in which Philips are involved.

What the well-dressed computer operator is wearing.

It is, of course, a mini-cassette. (A Philips invention, by the way.) But it's not for dictation.

It's used to program Philips' new generation of small computers for companies about to take the awesome step of moving into computers from electro-mechanical accounting.

The INFORMA, P300 and P400 ranges have been designed to make this transition as painless as possible.

They range in price from the cost of a Cortina to a Daimler Double-Six. They are backed by a library of 200 ready-to-wear programs, neatly packaged in mini-cassettes.

THEY CALL IT 'USER FRIENDLY'

Most important from a *first-timer's* viewpoint, they are, in the jargon of the business, "user-friendly."

They don't demand long retraining of your staff, nor do they need new, specialist staff. It takes a good typist under two days to get the hang of them.

If you don't immediately associate Philips with computers, you should know that Philips are market leaders in all but the very largest data processing systems.

Philips' record to date of 75,000 installations gives them a unique storehouse of knowledge, and puts them in a unique position to pioneer innovation.

These 'starter' computers illustrate aptly Philips' approach to business efficiency.

Look at a problem from the user's viewpoint. And then *innovate* to solve those problems.

Philips-a whole new world of knowledge in business efficiency.

In the last few weeks you'll have seen these advertisements for some aspects of Philips in business efficiency.

However, you'll realise that the picture is far from complete. We haven't touched on closed-circuit TV, audio and video systems, traffic control, environmental monitoring, or many other areas concerned with business efficiency.

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To bring these diverse interests together, Philips have set up a special unit – Philips Group Projects (U.K.) – to help companies engaged in plans which need a whole gamut of electronic products and services.

It is a single point of contact which can deal with everything from management services, design, engineering and research to finance.

The new communications systems for the All-England Club, Wimbledon and Britain's largest indoor leisure centre in Sunderland, are two ventures in which Philips Group Projects (U.K.) have played a major part, as well as a host of more modest projects.

NOT SEEING THE TREES FOR THE WOOD

Philips are big in so many fields, it's easy to overlook the fact that they are very big in business efficiency.

In fact, Philips market leadership in the free world includes business communications, telecommunications, dictation systems, as well as medium size data processing systems.

And, putting our money where our mouth is, Philips spend over £450M a year world-wide on research and development to maintain this leadership.

"Simply years ahead" is the claim at the top of this advertisement.

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OAS help sought as U.S. loses patience with Somoza

BY DAVID BUCHAN AND HUGH O'SHAUGHNESSY IN WASHINGTON

THE CARTER Administration appeared near success yesterday in warding off a major blow to its western hemisphere policy, as the U.S. House of Representatives defeated a bid to emasculate last year's Panama Canal treaties. But at the same time it launched an urgent diplomatic initiative in the Organisation of American States (OAS) to try to resolve the Nicaraguan crisis.

With Mr. Cyrus Vance, the Secretary of State, due to address OAS ministers late yesterday, U.S. patience with President Anastasio Somoza of Nicaragua is seemingly nearly lost in particular following public horror at the cold blooded killing on Wednesday of an American television correspondent, Mr. Bill Stewart, by a Nicaraguan national guardsman.

The killing, which the U.S. has strongly protested and President Carter described as murder, was filmed and shown on major U.S. TV networks.

Last resort

The U.S. has considered, as a last resort, proposing OAS multilateral military intervention to halt the fighting between President Somoza and insurgents led by the Sandinista National Liberation Front according to officials. But Mr. Vance's public appeal to OAS ministers will centre on a top level mediation commission to stop the bloodshed by diplomatic means.

So far, the U.S. has stopped short of demanding President Somoza's resignation as a prerequisite to a peaceful solution, partly for reasons to do with the Panama treaties legislation. Right-wing opponents of the treaties in the House on Wednesday called an extraordinary secret session of the full chamber to hear testimony—coming indirectly from the U.S. military in Panama—that Panama has been running guns to the Sandinsta rebels.

Outstanding debt

But the House later only partially amended the treaty legislation to require Panama to settle its outstanding debt to the U.S.—some £4.6m—before the U.S. started to contribute towards the joint administration with Panama of the canal.

By the year 2000 Panama will take sole control of it. Defeated was a conservative amendment to saddle Panama with payments of $2.3bn, almost certainly unacceptable to the Government of General Omar Torrijos. The House was likely to pass the legislation yesterday, which will then go to the U.S. Senate.

A serious tampering with the treaties provisions, the Administration has warned, might conceivably lead Panama to close the canal, a vital conduit for the U.S. which ships 400,000 barrels of oil a day from Alaska to gulf and east coast ports through it.

Panamanian aid for the sandinista and anti-Somoza forces in Nicaragua is not by the Administration, which is increasingly perturbed by the growing possibility of a military victory of Marxist elements within the anti-Somoza forces. But yesterday's secret testimony in the House evidently convinced a narrow majority that recent events in central America make passage of the Panama treaties, implementing legislation in reasonably intact, all the more important, to assure a continued American presence in the Canal Zone.

If the OAS fails to act, or if its moves fail to have any impact on the Nicaraguan crisis, some U.S. officials are warning that the possibility of unilateral intervention by U.S. troops is not totally ruled out, even though this may seem unlikely in view of President Carter's strong commitment to non-interference to other countries' affairs.

Strongly contested

Both U.S. diplomatic intiatives, and any possible military moves, are likely to be strongly contested by representatives of the broadly based anti-Somoza provisional government which was set up last Saturday. This body sees U.S. moves, which have also been attacked by President Somoza himself, as favouring the emergence of a regime which would not fully reflect the overwhelmingly anti-Somoza sentiments of the majority in Nicaragua.

Petrol rationing plan revived

By Stewart Fleming in New York

AMID FEARS that the U.S. petrol crisis could be deepening, moves are underway in the House of Representatives to revive proposals to give President Carter standby authority to impose rationing.

Mr. James C. Wright, Jr., of Texas, the House majority leader, disclosed the new initiative in a speech to the Economic Club of New York and there are signs of some support for it in the oil industry.

Mobil Oil, whose relations with the Carter Administration have been frosty since the President allegedly described the company as irresponsible, has urged the enactment of a national standby rationing plan, arguing that such a plan would eliminate long queues and guarantee a minimum amount of petrol for every car with a reasonable limitation for each household.

But the company says that a standby system should be necessary only when there are shortages. It added, however, that it believes shortages and rising prices will be "with us for a long time" and that it is "imperative that we at least attempt to manage our limited supply as efficiently as possible, with the fewest disruptions and the greatest retention of individual freedom of choice." Rationing, Mobil argues, can do this as long as it is properly designed.

The moves to revive the plan follow a crushing defeat for President Carter in the House of Representatives last month when a proposal to give him standby rationing authority was voted down despite intense lobbying by Administration officials. The Bill had cleared the Senate.

Earlier this week Texas and several North-eastern states restricted motorists to buying petrol only on alternative days. The restrictions are resented by many drivers, who feel that they operate unfairly and do not attempt to tackle the question of priority—to taxi drivers, for example.

Last month farmers were given a priority allocation of diesel fuel to help them plant their crops, but this has upset others, like truckers and the railways, who have had no concessions.

Union protests at VW sackings

BY JOHN WYLES IN NEW YORK

THE UNITED Auto Workers' Union has filed its first complaint of unfair labour practice against Volkswagen of America, claiming that the company has sacked four shop stewards in retaliation for a four-day unofficial strike last week.

The act of filing the complaint with the National Labour Relations Board and the nature of the union's charges illustrate the deterioration in its relationship with the company since negotiation of the first three-year contract for 4,000 hourly workers at VW's Pennsylvania plant last October.

The UAW rank and file has proved ready to down tools on a couple of occasions in reaction to management's decisions on work procedures. Last Tuesday, the plant went on strike after the company introduced new procedures covering work breaks which allowed production to be maintained. This was in line with an agreement with the union, but the shop floor took exception to the way in which the changes were being handled.

After the walkout the company won a court injunction last Wednesday ordering a return to work. According to the union, shop stewards responded quickly, so that production was resumed on Monday this week. However, some 14 workers were dismissed the following day. Mr. Daniel Cooper, a Pittsburgh attorney representing the union, said yesterday that ten were sacked because of picket line incidents and four "purely because they were union leaders in the plant."

If after an investigation the National Labour Relations Board found for the union, it could order reinstatement of the sacked workers. VW is refusing to discuss the affair, which will give further food for thought to Japanese car manufacturers considering establishing assembly facilities in the U.S.

New York starts trading in financial futures

BY DAVID LASCELLES IN NEW YORK

THE NEW YORK Stock Exchange yesterday formally launched its long-planned entry into financial futures, and in so doing lent its prestige to a fast-growing but little-understood market.

The exchange announced that it had filed applications with the Commodity Futures Trading Commission for permission to trade futures contracts in 90-day Treasury bills, 20-year Treasury bonds, and in sterling, Canadian dollars, yen, Deutsche Marks and Swiss francs.

A new subsidiary, the New York Futures Exchange, has been set up to operate the futures market, which will be housed adjacent to the Stock Exchange's traditional site at the corner of Wall and Broad streets.

Although the Stock Exchange is a late comer to financial futures (several other major exchanges already trade them), it believes that its reputation as the leading U.S. exchange will give it a head start.

Mr. John Phelan, chairman of the Futures Exchange, said financial futures were still in their infancy, but he expected rapid growth.

So far, financial futrues have been traded mainly in Chicago, where their reputation has been linked to other commodities like grain, rather than to financial dealings.

The New York Futures Exchange, backed by some $12m of investment, will start next spring with three trading rings, and will be increased to nine by 1983.

Because of the complexity of financial futures, the exchange will have an elaborate programme to educate the financial community as to what they are and what can be done with them.

Mr. Phelan said he expected the exchange would be used for risk transferance or hedging against financial fluctuations.

U.S. Steel price rises undercut by Bethlehem

BY STEWART FLEMING IN NEW YORK

IN A MOVE which threatens to undercut U.S. Steel, the leading company in the industry, the second-largest steel company, Bethlehem Steel, is proposing to raise prices by only about 2 per cent from July 1.

U.S. Steel secured a special dispensation earlier this month from the Council on Wage and Price Stability to increase prices by an average 3.5 per cent by switching from the "price deceleration" to the "profit-margin test" under the Administration's wage and price guidelines.

Under "price deceleration," companies are required to slow the rate of price increases by 0.5 per cent, from a base period of 1977-78. The "profit-margin" control requires companies not to increase their profit margin on sales.

There was speculation at the time that other steel companies might not be able to switch to the profit-margin test, and would therefore be unable to match the U.S. Steel increases. It was also argued that, by the third quarter, weakness in demand for steel might make it difficult for U.S. Steel to make its prices stick.

Bethlehem Steel's increases on similar products is seen as evidence supporting this contention.

Aluminum Company of America (Alcoa), meanwhile, said that it had raised the price of aluminium sheet for *drink cans by about 5 per cent* from July 2. Aluminium prices have been rising strongly in recent months, and there were expectations of a more substantial rise from Alcoa. However, the company still has room under the price guidelines to raise its prices further.

Referendum in Quebec next spring

By Robert Gibbens in Montreal

THE QUEBEC Government's referendum on the province's future relationship with the rest of Canada will be held next spring, Mr. Rene Levesque, the Premier, told the National Assembly in Quebec City yesterday. This indicates that his Parti Quebecois Government has decided that its previously forecast date for this autumn would not be suitable.

Mr. Levesque did not name a specific date for the referendum, but indicated that the question on the ballot paper will be about the concept of "sovereignty-association" within a renewed Canadian confederation. The word independence has been dropped from Parti Quebecois policy statements *for the last six months or so.*

It is believed that the Government has not yet decided on the actual question to be asked on the referendum ballots. Mr. Levesque told the Assembly that debate on the exact wording will start early in 1980.

The May 22 federal election and public and *private* polls recently have shown that the tide of public opinion in French-speaking Quebec is flowing against independence. A month ago Mr. Levesque himself said that if a referendum were held immediately, his Government would lose.

UK, W. German trade gap widens

BY GUY HAWTIN IN FRANKFURT

WEST GERMANY'S exports to Britain forged ahead at more than double the rate of the country's average export growth during the first four months of the year. In contrast, the UK's export performance in the Federal Republic has slowed substantially by last year's standards and the trade deficit in West Germany's favour has widened enormously.

The statistics, abstracted by British Embassy trade officials from the returns of the Federal Statistical Office, show the trade deficit in West Germany's favour up 37.5 per cent compared with the figure from the comparable period of 1978. It increased from DM 1.6bn to *DM 2.2bn.*

Exports from West Germany to the UK during the period totalled DM 6.5bn ($3.49bn)—22.6 per cent up on the performance during the opening four months of 1978. This compares with an average 9.4 per cent growth in the Federal Republic's exports as a whole.

Britain's importance as a market for German products also increased substantially. During the four months the UK took in some 6.5 per cent of total West German exports compared with 5.8 per cent during the comparable period of 1978.

Furthermore, the figure seems to be moving upwards. In April Britain received some 6.6 per cent of the Federal Republic's *export total.*

Britain's exports to the Federal Republic have also been showing above average growth. UK shipments to West Germany, including crude oil sales, went up by 16.2 per cent to DM 4.3bn and this compares with an average West German import growth of 12.6 per cent during the period under review.

Oil sales have been the *main* motor for growth. Shipments of British North Sea oil to the Federal Republic rose by 66.7 per cent during the period under review from DM 300m in 1978 to DM 500m. Even so, Britain's total share of the West German import market has appreciated only slightly during the period because of massive oil stock piling in the Federal Republic.

Britain's share of the West German imports market amounted to 4.8 per cent during the first four months of 1979. This compares with the 1978 equivalent of about 4.7 per cent.

British non-petroleum sales also showed above-average growth. They increased by 11.8 per cent during the four months from 1978's figure of DM 3.4bn to DM 3.8bn. The Federal Republic's non-petroleumimports growth during the period amounted to 6.4 per cent. Britain's share of the non-oil imports market, however, increased from 4.7 per cent to 4.9 per cent.

Russian ships 'harming' West's interests

By Ian Hargreaves, Shipping Correspondent

A STRONG rebuff of a claim in a UK Government report that Russian merchant shipping has done little real harm to western interests came yesterday from Mr. Hans Jacob Kruse, chairman of Hapag Lloyd.

Mr. Kruse said the UK report, produced by Department of Trade officials, was "definitely wrong" in suggesting that the Russians' share of cargo on some North Atlantic trades had diminished.

"We have certainly not noticed any reduction in the number of ships," said Mr. Kruse, who maintains that the Soviets still hold 10 per cent of North Atlantic liner business.

The row over the Soviet threat seems certain to intensify again in the coming months, with the European Commission due to report shortly on its first period of monitoring Soviet activty on certain shipping routes.

A new element was also thrown into the debate this week with the suggestion by Mr. Jim Payne, deputy chairman of the Blue Star Line, that Soviet port agencies may be a base for worldwide espionage.

The British Government report contended that the Soviet fleet had so far done significant damage to western interests only on Europe-East Africa trade and that its influence was likely to diminish in the next few years.

Mr. Kruse said that the Russian threat had become less significant because of the growth in non-commercial competition from some western state shipping lines which had benefited from over-generous shipbuilding subsidies. These cut-price ships were now posing a serious problem for established operators.

Australia, ASEAN agree air fare reductions

KUALA LUMPUR—Certain excursion-type air fares between *Australia, Hong Kong and the* five countries comprising the Association of South-east Asian Nations (ASEAN) are to be cut following an agreement reached between their respective airlines meeting this week.

At the same time, however, most airlines operating within the Far East which are members of the Orient Airlines Association plan to bring in a general increase in fares by up to 7 per cent to offset the rising cost of fuel, maintenance and operations.

On the reductions, airline officials said that Qantas of Australia and Cathay Pacific of Hong Kong had agreed on low fares for special advance purchase excursion and group inclusive tours, applicable to travellers flying between those two countries and Indonesia, Malaysia, The Phillippines, Singapore and Thailand, which comprise ASEAN member nations.

The meeting followed a decision by Australia last month to allow limited participation by ASEAN carriers in low-fare flights between Australia and Europe, previously restricted to Qantas and British Airways, but excluding those operating en route.

The ASEAN airlines represented at the meeting were Garuda Airlines of Indonesia, Philippine Airlines, Singapore Airlines, Thai International, Qantas, Cathay Pacific and the Malaysian Airline System.

● A McDonnell Douglas DC-9 passenger jet has made a demonstration flight over Peking's airport. China's official Xinhua (Hsinhua) news agency said that McDonnell Douglas officials planned discussions with Chinese officials on the possibilities of selling the medium-size jetliners to China or manufacturing this type of aircraft in China.

Agencies

Japan secures crude oil supplies from Indonesia

TOKYO — Japan will receive a large part of recently started new crude oil production totalling 36,000 barrels a day from fields of southeast Sumatra, C. Itoh said yesterday.

The Japanese trading house, which is participating through Japan Low Sulphur Oil in the project, operated by Natomas of the U.S. said it will receive 30 per cent of the new output under contract with Pertamina, Indonesia's state-run oil company.

Pertamina will receive about 60 per cent of the new oil produced under a production-sharing contract, and it will ship a large part of that to Japan, C. Itoh said, without giving an exact amount.

Total output from the fields has increased to 120,900 barrels a day following the new commercial production.

Meanwhile, two of Japan's largest electric power companies are planning to import liquefied natural gas (LNG) from Indonesia as part of their attempts to diversify sources of supply.

The companies are Tokyo Electric Power, the largest in Japan, and Tohoku Electric Power.

A Tohoku Electric official said they were considering a purchase from Indonesia to cover a delay in shipment of 2.6m tons of LNG annually from Iran's Kangan Liquefied Natural Gas company caused by the Iranian revolution.

● Thailand is planning to buy a power plant barge, believed to be the largest in the world, from three Japanese companies.

An official at C. Itoh said it and two others received a letter of intent from the electricity generating authority of Thailand.

The two other companies are Nippon Kokan, a major steel company, and Mitsui Engineering and Shipbuilding.

Iran cancels U.S. copper mining project

By Our Foreign Staff

IRAN SAID yesterday that i had cancelled a contract wi the Anaconda Corporation o the U.S. for a mining projec near Kerman, in the south-eas of the country.

According to a broadcast b the state radio which gave fe details, the decision was take because the U.S. company ha "failed its technical and finar cial obligations." The minin facilities worth more than $1bi are, however, almost complet so that the decision is believe to refer to a 10-year manage ment, supervisory and trainin programme.

No work has taken place the plant since before the Fe ruary revolution but observer in Tehran say there is a poss *bility that Iran is looking fc* another company to take on th management contract or may tr to hire directly the necessar foreign experts.

Iran radio said the contra with Krupp of West German and Mechim of Belgium to buil a copper refinery worth $135 at nearby Sarchtshmah was sti in force. The refinery is not du for completion until 1982 so th initially the copper mined Kerman would have bee exported.

The Anaconda contract ha already been in question befo the revolution because Iranian resentment over i terms. Selection Trust which ha initially worked on the minin facilities, had withdrawn a Anaconda had moved in aft negotiations between its repr sentative, Nelson Rockefelle and the Shah.

The American contract Parson-Jurden, which is wo ing on a processing plant at t mining site, is understood have suspended work but n abandoned it.

NZ surge for Japan cars

By Dai Hayward in Wellington

JAPANESE car makers have taken nearly half the new car market in New Zealand.

In the first quarter of this year Japanese models accounted for 45.9 per cent of all new car sales, and trends suggest that by the end of this year one in every two new cars will be Japanese.

Japanese exporters have done this despite more favoured tarriff terms for British-made vehicles. The top selling *Japanese manufacturer is* Mitsubishi with 12.3 per cent of the market, but Honda and Mazda are close behind, and with new models coming out this year are expected to increase their sales. Datsun and Toyota are now a common sight on New Zealand roads.

Sweden-Mexico oil talks

BY WILLIAM DULLFORCE IN STOCKHOLM

SWEDEN CAN obtain up to 10 per cent of its oil imports from Mexico from 1981 provided production reaches a high enough level, Sr. Jorge Castaneda, *Mexico's Foreign Minister,* confirmed here.

By 1981 Mexico hopes to be exporting 1m barrels of oil a day, the larger part of which would go to the U.S., but it expects to be able to sell some 70,000 b/d to Sweden, Sr. Castaneda said following the first meeting of the Swedish-Mexican Mixed Trade Commission.

Mexico has already contracted to sell oil to Israel, and nego*tiations are also taking place* with France, Spain and Japan. But Sr. Castaneda emphasised that Sweden was a highly desirable trading partner, from which his country could import advanced technology. However, no firm agreement has yet been signed.

Bell deal 'in jeopardy' over embassy site

By Robert Gibbens in Montreal

BELL CANADA, the larges telephone utility in Canada, ha confirmed that its $1.1bn tel phone contract in Saudi Arabi "could be in jeopardy" becaus of the new Clark Government policy to eventually move th Canadian Embassy in Isra from Tel Aviv to Jerusalem.

The Bell contract was part o a $3bn order awarded near two years ago by the Saud *Government to a consortium o* Philips of the Netherlands Ericsson of Sweden, to expan the Saudi telephone system i the cities and rural areas. Bell' share is largely to train Saudi to operate the system an supervise operating manage ment.

On Monday the Arab monetary fund, representing abou 20 Arab countries, and a central bank agency with resources o around $1bn, warned that it would have no further dealing with Canadian banks either and would buy no further Canadian bonds.

Canadian banks led by the largest, the Royal Bank of Canada, have protested to the Government that the embassy policy may cost Canada billions *of dollars in lost business.*

CHINA CONTRACTS

UK to back counter trade deals

BY FRANK GRAY

WHILE BRITAIN does not encourage the use of counter *trading in international dealing,* it is prepared to accept this "as one of the rules of the game" if it will help British companies open new *opportunities* in China.

In making this remark yesterday, Mr. Cecil Parkinson, the Minister of State for Trade, said the Chinese were increasingly concerned about their limited sources of foreign exchange and were more closely examining counter trading as a way of increasing trade.

Because of this, the British Government would raise no objections to UK companies setting up counter trade, or buy-back, arrangements as part of their business dealings in China. In fact, they could count on Government help to exporters.

"For example, Export Credits Guarantee Department cover is available on the same basis as it would be for any other export business provided that the export and import transactions are kept contractually separate."

The Minister, in addressing a one-day trade *seminar on* China sponsored by The 48 Group of British Traders with China, noted that one of the attractions counter trade arrangements has for some countries is that they are given access to marketing skills they do not possess themselves.

"If the arrangements are such that these skills are paid *for, they seem to me to* amount to an invisible export of services and thus to be a benefit to the British economy," he said.

Mr. Parkinson warned, however, that some countries have used counter trading as a way of by-passing import restrictions. It was Britain's policy, within the EEC, to apply restrictions only for the protection of vital, home-grown industries.

The Government was not prepared, therefore, "to agree to take counter trade goods for import into the UK, which would exceed the various import limitations, though this does not apply to arrangements to dispose of such goods in third countries."

Another danger was that counter trading could cause a conflict of interest between the British exporter and other interested parties in Britain "who may believe that their business will be adversely affected by a counter purchase commitment."

But because of China's relative inexperience in inter*national* trading, counter trade was an important option in assisting the Chinese over their problems.

"An understanding of these problems and a willingness to help the Chinese overcome them will give companies a head start in trading with China," Mr. Parkinson said.

China-Japan steel accord

TOKYO — China has reached broad agreement with six Japanese steel companies on pricing and volume of five steel products it wants to buy for shipment later this year, Nippon Steel said yesterday.

The companies Nippon Steel, Nippon Kokan, *Sumitomo Metal* Industries, Kawasaki Steel, Kobe Steel and Nisshin Steel.

It is understood total volume of plates, cold-rolled sheets, hot-rolled sheets, wire rods and carbon steel has been set tentatively at just under 1.5m tonnes.

A Chinese mission is now negotiating in Tokyo to buy steel pipes and other products for shipment later this year. However, it is believed that China's total steel purchases from Japan in the second-half will not exceed 1.8m tonnes, partly because of a slowdown in China's *modernisation* programme and a lack of foreign exchange.

China, which is purchasing Japanese steel on a half-yearly basis, bought 2.5m tonnes from the six companies for shipment in the first half of this year.

Reuter

Renault bid to stop W. German bus contract

RENNES — Lawyers of Renault Vehicules Industriels, the truck-building arm of the Renault auto group, have asked a French Administrative Court to block a contract passed between the West German company of Kassbohrer and the City Council of Brest for the supply of 25 buses.

The Renault representatives said that the award of the contract to a foreign company had caused "irreparable damage" to RVI's image, and that the affirmation by Brest City Council officials that the RVI bid wasn't competitive "threatens RVI's existence" at a time when the company is experiencing difficulties.

A lawyer appointed by the Brest Council pointed out that five tenders had been received for the contract, and that RVI's was 14 per cent, or FFr 1.7m (£187,000), higher than that of Kassbohrer. He disclosed that RVI had offered to reduce its tender by FFr 1m when the bids were made public.

AP-DJ.

EC Ministers to study ritain's coal export plan

IN LLOYD

'S COAL industry m an export market ween £50m and £75m f proposals outlined by the Economic and mmittee of the Euro-nmunities are agreed EEC Council of Mini-

roposals have been put uncil for the past three have failed to win t. However, Sir Derek National Coal Board said yesterday that now a better chance deas being accepted f the oil crisis.

n has been drafted by ittee's energy section, is been meeting in over the past three

ul Hatry, the energy chairman, said that t on the committee's to subsidise coal burn r to depend on some f willingness on the t to share its oil with the rest of the y, together with a greement by all mem- to move more rapidly nuclear power route. oposals, identical to ch have failed to get t in the Council of for the past three

idy of £6.35 on each tonne of steam coal traded between member states running over a three-year period at a cost of £63m.

- Grants to cover 30 per cent of the cost of installing coal-fired capacity in power stations, running between 12 and 15 years at a cost of £300m.
- Subsidies on pithead stocks of coal and coke.

Sir Derek said that the NCB could supply initially between 2m and 3m tonnes of coal to the EEC, some of it drawn from stocks above the 1.7m tonnes presently exported.

Mr. Joe Gormley, the President of the National Union of Mineworkers who is also a committee member, said that the plan was designed to cut coal imports from non-EEC countries on long-term contracts.

"Energy needs a long term approach—you have to think of what will happen ten years from now. Australian coal won't be cheap any more then."

Mr. Hatry said that not all EEC countries felt hostile to substantial imports. He said that the coal industries of West Germany, France and Belgium—the other coal producers in the EEC—were all declining, though West Germany might be able to stabilise production in the near future.


Sir Derek Ezra

Accountants in merger

FINNIE ROSS WILD and Allfields, two medium-sized City accounting firms, are merging their practices.

The merged firm will have 29 partners and 250 staff throughout the country, with the majority in the City. Gross fees are budgeted at about £3m this year.

Tough line on smoking to continue

By David Churchill

THE GOVERNMENT intends to continue with a tough approach to tobacco advertising to try to reduce the toll of illnesses caused by smoking.

This was made clear yesterday by Sir George Young, Parliamentary Under-Secretary at the Department of Health, in a speech to the World Conference on Smoking and Health in Stockholm.

Sir George said he totally rejected "the argument that advertising has no effect on total consumption, but simply redistributes consumption between competing brands."

He warned that although the UK had already achieved a significant reduction in tobacco advertising by consent, the tobacco industry should not resist other voluntary measures. The Government wanted to make further progress on tobacco advertising and intended to study closely the effect of advertising bans in several European countries, especially Norway and Finland.

He added: "If tobacco were introduced to the world today, it would almost certainly be rejected as unsafe."

However, Sir George's arguments were challenged last night by one of the leading UK tobacco companies. Carreras Rothmans pointed out that in countries where tobacco advertising had been banned or severely restricted, consumption continued to increase.

Economists forecast fall in output

BY OUR ECONOMICS CORRESPONDENT

A GLOOMY view of the impact of the *Budget measures* on jobs and output is put forward today by a group of Cambridge economists.

The report, produced by Cambridge Econometrics, notes that even before the Budget changes, the economy was moving into recession and the employment outlook was gloomy.

On pre-Budget policies total output, as measured by real Gross Domestic Product, was expected to be unchanged this year and to rise by 0.3 per cent in 1980. Following the Budget the projections are for a decline in output of 0.7 per cent this year and of 0.5 per cent in 1980.

On the same basis, the year-on-year average growth of consumer prices is expected to be 15.7 per cent this year (against 13.2 per cent before the Budget) and 13.1 per cent in 1980 (against 10.4 per cent).

The biggest single impact will be felt in the Civil Service and local government, where an estimated 100,000 jobs will be lost as a direct result of spending cuts and the tight application of cash limits.

Moreover, instead of expanding, service industries including *garages* and *shops* will offer 150,000 fewer jobs than they would have done on pre-Budget policies. But women might have filled many of these jobs and they are less likely to register as unemployed.

Cambridge Econometrics is the non-profit-making arm of the Cambridge Growth Project and provides forecasts and analysis for industry. The Growth Project, a team of Cambridge University researchers under Sir Richard Stone and Dr. Terry Barker, has developed a forecasting model which focuses on the development of the economy over 10 years or more and looks at 40 sectors.

This is completely separate from the work of the New Cambridge School at the Department of Applied Economics under Mr. Wynne Godley.

Cambridge Econometrics estimates that the boost to the balance of payments from the Budget should be £1bn a year as imports fall. The further cut in real earnings following the Budget is 1½ per cent and this might be small enough to avoid large wage claims.

Creditor praises bankrupt

FINANCIAL TIMES REPORTER

A "GLOWING TESTIMONIAL" on behalf of Mr. Stephen Kennedy, former chairman of Magnum Hotels, yesterday helped get him discharged from a bankruptcy where debts were originally estimated at more than £22m.

Mr. Registrar Hunt said at London Bankruptcy Court that the letter praising Mr. Kennedy had come from the largest creditor. The creditor was owed £15,834,000 at the time of Mr. Kennedy's bankruptcy in 1975 but now the debt had been reduced to less than £8m.

Mr. Kennedy, 59, who was born in Hungary, was not in court for his application. Doctors have ruled that his health could not stand the strain of a public examination. He has never been questioned in court about his debts since he went bankrupt in 1975.

The Registrar said that in 1974 Mr. Kennedy put his £300,000 home in Bishops Avenue East Finchley, into a trust for his adult children. Mr. Kennedy had said that at the time he had been warned about his health by doctors and he created the trust to avoid death duties.

In the Registrar's view Mr. Kennedy was being less than fair to his creditors in trying to put the home, since sold, out of their reach. No serious harm had been done, as part of the sale proceeds had been recovered in the bankruptcy.

Mr. Kennedy, now earning £72 a week, lives at Queen's Gardens, Paddington. His assets were said to have realised £46,632. The discharge was granted subject to nine months' suspension.

Premium Bond prizes two months late

PRIZE-WINNING numbers and locations for the monthly £100,000 and £25,000 Premium Bond draw for May will be issued from the Bonds Office, Lytham St Annes, on July 4 together with the prize-winning numbers and location of the £75,000 and £50,000 prizes for the four weeks of May.

The backlog is due to industrial action between February 23 and May 3 affecting Government computer offices.

Lists of the other monthly prizes for May will be issued between July 5 and July 23.

okers see little chance early MLR cut

ER RIDDELL, ECONOMICS CORRESPONDENT

T RATES may already peak level, according ockbrokers W. Green-Co. However, a reduc- inimum Lending Rate present level of 14 per ars unlikely before the s are sure that the growth of the money s dropped to within range.

ir latest monetary published this morn- nwell supports its view rest rates may have peak partly by point- that the velocity of n of money always e economy approaches n.

r, the gilt-edged ppears to have a grow- city to see through oches. As the under- of monetary forces has nore widespread, the as developed an in- capacity to anticipate ing point of those

The brokers say that whether interest rates have reached their peak will depend on the extent of the adverse monetary pressures in the coming months. These in turn will be affected by the reaction to the Budget of wage settlements.

Market forces may reduce private sector wage settlements, while there is bound to be sabre-rattling, pay deals will probably not respond to the Budget by as much as many people fear.

The increase in value added tax will boost the money stock and definitely make the Government's new 7 to 11 per cent target range for sterling M3, the broadly defined money supply, harder to hit.

Greenwell argues that the pessimists are wrong to say that the Budget measures will raise unemployment, and their judgment will be wrong as it was in 1976-77. "We may indeed be heading for a recession, but this Budget will not deepen it; rather it will help us to make a sustained recovery."

chitects' commissions e 12% to £1.5bn

LIN AMERY

ALUE of commissions by private architects about 12 per cent at prices to £1.5bn the first quarter of

compares with a rise cent in the previous According to the al Institute of British ts' figures, most of k is commercial and al building commis- d the areas benefiting e Scotland, Midlands South East.

1972 the number of fulltime architectural practices has risen from 3,475 to 4,160 but in spite of this increase the number of architectural staff fell by 8.5 per cent from more than 24,000 in 1972 to 22,000 in the first quarter of this year.

There was a 2.3 per cent increase in the number of architects' staff employed in the first quarter of this year and the number of salaried architects, the RIBA says, increased at a slightly higher rate.

' wants petrol pumps ked to bank accounts

ICIAL TIMES REPORTER

is pressing the ent of Trade to its regulations more so that petrol pumps directly linked to bank accounts.

ompany says that the uld make petrol buying or both retailers and s. But it claims the er to computerised ying is being held up epartment.

s that because of the Department interprets ulations at present, would have to verify ce of equipment before stalled.

l says this would be stic" because it would months for each piece of equipment to be checked. It adds that the Department's interpretation of the regulations is having an adverse effect on pump manufacturers and on the development of equipment for export.

The company says that systems which enable motorists to debit their bank accounts at the pumps already exist in Sweden, Denmark, Japan and the U.S.

All the customer has to do is key-in his or her petrol requirements in the usual way for a self-service pump and then add a personal identification number. A computer terminal then debits the motorists' bank account in seconds.

el tax should replace r duty, says report

JR MOTOR INDUSTRY CORRESPONDENT

OVERNMENT should ead with a scheme to vehicle excise duty with d petrol tax, according port from the Open ty New Towns Study

would be "consistent ation policy, goals for conservation and an d transport policy as improving administra- iency and lessening tax

The report, published in the light of the decision by Mr. Norman Fowler, Transport Minister, to "review the whole operation of vehicle excise duty," also maintains that the change would not unduly advance the interests of urban against rural motorists. This was one of the main criticisms after the Labour Government put forward proposals in February.

Shell expects OPEC revenue to rise 42%

FINANCIAL TIMES REPORTER

SHELL EXPECTS the oil revenue of the Organisation of Petroleum Exporting Countries—whose members meet to decide price levels next week—to rise $50bn in a full year compared with 1978. That 42 per cent rise, however, would be moderated by falls in demand, Mr. Michael Pocock, chairman of Shell Transport and Trading, said yesterday.

Mr. Pocock said that oil consuming countries would "have no alternative" but to accept the increased prices.

He estimated that the big European importing countries would each have to pay an extra $3bn (£1.5bn) a year for their oil.

Speaking at an American Chamber of Commerce lunch in London, he forecast that Japan would have to pay another £3.5bn a year for her oil while the U.S. would have to pay an extra £6bn.

World oil supply and demand would probably start to balance each other by the middle of next year. Consumption would then stand at an average of about 51m barrels a day—some 6 per cent lower than would normally be expected. But demand would only be cut if prices were allowed to rise.

"Ideas are now being floated thick and fast for imposing consumer discipline — country volume quotas, maximum import prices, control of the spot market and so on. Some of these measures might work within a single country with an array of regulations, but internationally they cannot work unless they are imposed by all major importing countries, together with an efficient policing system, and we see absolutely no chance of that.

"So price is going to have to do *its regulating job*, and it will—acting on both consumer demand and on the general level of economic activity.

"Provided governments allow oil companies to do their proper job of allocation, and allow higher prices to flow through to the market, the adjustment will probably not take long—say about 12 months—an earlier balance being unlikely because of the need to rebuild today's low stocks for next winter."

Mr. Pocock said the final increase in the OPEC oil bill in the coming year would probably be slightly lower than $50bn (£25bn).

This was because the $50bn figure assumed a normal rate of growth in demand but oil demand was actually expected to fall during the next 12 months.

Building material sales rise slowly after winter setbacks

BY ANDREW TAYLOR

SALES of building materials continued to rise slowly in April, according to the latest survey by the Builder's Merchants' Federation.

In April builder's merchants' sales were 1.7 per cent higher than the previous April, while in the 12-month period to April 30 sales rose by 8.7 per cent.

The North-East produced the biggest sales rise in April, up 11.2 per cent on the same month last year.

In the Midlands, North-West, South-West and South Wales sales fell by as much as 2.9 per cent.

Mr. Reg Williams, director of the federation, said that while sales had improved nationally, three, regions recorded a lower turnover than in April last year, and the underlying trend in sales was still low.

The effect of the severe weather earlier this year was more significant than had been expected, he said.

Sales of building materials have been slowly recovering in the past 18 months, but from a very low base. Sales have been cushioned by a marked increase in home improvement work which has offset the recession in construction.

● Figures published by the Department of the Environment yesterday show that while brick production in Britain rose this spring, deliveries were 6 per cent lower than in spring 1978.

Deliveries in the three months to the end of May were 9 per cent higher than in the preceeding quarter, when construction activity was particularly badly hit by the weather.

Provisional figures for May show a shortfall between brick production and deliveries, 425m produced against 466m delivered. Stocks were correspondingly reduced from 800m to 759m representing about eight weeks' current production.

Cement deliveries from March to May were 16 per cent higher than in the previous quarter and 1 per cent up on the period last year.

Spending cuts cause town hall 'regret'

BY PAUL TAYLOR

LABOUR-CONTROLLED local authorities yesterday failed by one vote to swing the Association of Metropolitan Authorities into direct opposition to the Government's planned local government spending cuts.

Delegates to an emergency meeting of the association in London called to discuss the implications of Budget public expenditure cuts voted against a hard-line Labour resolution which "condemned" the Government's policies. But they expressed "alarm" at the effect the cuts would have on local government services.

Instead, the association is to adopt a more moderate attitude proposed by Mr. A. G. Taylor, the chairman, "welcoming" the Government's prompt action in reducing the public sector borrowing requirement in 1979-80 but "regretting" that the expenditure cuts should fall so heavily on local government.

The meeting represented the first real test of the association's attitude towards the Government following the local authority elections in May when Labour made significant gains among the metropolitan authorities but just failed to win control of the association itself.

Although the result of the meeting will come as a relief to Mr. Michael Heseltine, Environment Secretary, who is charged with reducing local authority expenditure, it is unlikely to have any major impact on the stormy financial future facing local authorities.

Opening the debate, Mr. Taylor made clear the full impact of the proposed spending cuts. Not only is the rate support grant to be cut by £300m this year but local authorities have also been told to reduce planned current expenditure this year by £800m — a 6.5 per cent cut.

Leading the Labour attack, Mr. Jack Smart, of Wakefield, warned that local government would be "devastated" by the level of cuts being proposed.

In the event, voting was on party lines and the association therefore remains in the Conservative camp — like the two other major local authority associations — but with a more critical approach to the level of local authority spending cuts.

Petrol will cost £1.45 from Bell

Financial Times Reporter

AN INDEPENDENT oil company operating around Lincolnshire is planning to sell petrol at £1.45 for a gallon of four star.

The company, Bell Oil Operations, which has 50 petrol stations in Lincolnshire and South Humberside, plans to buy the petrol at about £1.15 a gallon on the Rotterdam spot market.

Bell said yesterday that it fears the scheme could be "misunderstood and regarded as profiteering." It would try to counteract this by making its purchase invoices available to the Office of Fair Trading or to a person nominated by a local MP for inspection.

One of Bell's aims in launching the scheme is to deter tourists from cancelling planned trips to Lincolnshire because of fears that they may not be able to obtain sufficient petrol. But it is clearly hoping to draw in local residents too—its "European free market price" pumps will be labelled "Sunday petrol here."

The price of Bell's petrol will vary in future according to spot market prices. Bell, which normally sells about 4m gallons of petrol a year, said it expected the free market price scheme to add to its total sales by only a small amount.

Museum buys wooden stool for £240,000

A WOODEN STOOL, carved by the Master of Buli in West Africa, sold for £240,000 at Sotheby's yesterday. It was the highest price recorded at auction for an item of African art, and the purchaser was the Metropolitan Museum of New York, which will have to pay an additional 11.5 per cent in buyer's premium and VAT.

SALEROOM

BY ANTONY THORNCROFT

Only 20 or so works in the "long faced style of Buli" are known, and although this stool, with the seat supported by a carved figure, shows minor damage, it still comfortably exceeded its forecast, and was the top price in a sale of Primitive works of art which totalled £1,036,080. The lots sent for sale by the American collector John A. Friede brought in £358,130 with a best price of £36,000 from Nash, the London dealer for a large Sepik male figure from Melanesia.

The other top prices in the auction were the £55,000 for a Songo chief's throne, supported by seven figures; £50,000, a record for an item of American Indian art, paid for a human-headed club, probably Iroquois; £40,000 for another Songo chief's throne; and £34,000, from Nash again, for a Songo, or Chowke, wooden male figure.

A Benin bronze head of the 17th century sold for £28,000, while an Afro-Portuguese ivory oliphant of the 16th century, which had been insured for £30, sold yesterday for £13,000.

In Geneva on Wednesday night at Christie's a Swiss collector paid a record £104,815 for a marqueterie-de-verre shaped coquillage cup by Gallé. It was the top price in the Russell Bode collection of early Gallé glass which brought in £235,556 for the 45 lots.

Top prices for rare wine

CHRISTIE'S unusually extensive all-day finest and rarest wine sale yesterday was notable for the high prices paid—largely by American and Swiss buyers—for first-growth clarets from the 19th century to the post-war years, for an exceptional series of vintages of Yquem, and for other rarities, writes Edmund Penning-Rowsell.

Among the single bottles of old clarets, the outstanding prices paid were for Lafite 1868 (£280), Mouton-Rothschild 1870 (£230), Lafite 1875 (£350). In the Meyrick sale in June, 1970, the top price *per dozen* was £75—Lafite 1887 (£230), and a magnum of Mouton-Rothschild 1900 (£520). The sale totalled £94,472.

For the post-war vintages, the top prices included Latour '45 (£1,150 a dozen), Mouton-Rothschild '47 (£240 for a single magnum), Cheval-Blanc '47 (£170 per magnum) and Petrus '61 (£260 per magnum).

Fiat in sales link with Fine Fare

By Kenneth Gooding

FIAT UK and the Fine Fare supermarkets groups are to go ahead with a plan for a permanent car retail outlet at a superstore.

The operation will start next week at Fine Fare's hypermarket at Sutton-in-Ashfield, Nottingham, and be managed by one of Fiat's dealers, Gallia Cars of Mansfield.

Mr. Clive Noakes, sales and marketing director for Fiat UK, said: "Cars should be where there are buyers all the time—the high street and the new high streets being formed where there are superstores.

"People do not want to travel halfway across the country to see if they want to buy a particular car. They want to see it in their own locality."

New banana terminal to cost £800,000

A TERMINAL for banana imports is to be built at Newport, South Wales, under an £800,000 project announced yesterday by the British Transport Docks Board.

The move is at the expense of the private port of Sheerness, Kent, which held the import contract for Jamaican bananas for 11 years.

Judge sends ICI quarry plan back to Heseltine

BY PAUL CHEESERIGHT

PLANS BY Imperial Chemical Industries to develop a new limestone quarry extending into the Peak District National Park have been stalled by a High Court judgment which refers the original planning permission back to Mr. Michael Heseltine, the Environment Secretary.

Deputy Judge Sir Douglas Frank, QC, yesterday held that Mr. Peter Shore, Environment Secretary in the Labour Government, had failed to impose valid conditions when granting the planning permission in May last year.

There is no suggestion that permission for the development should be withdrawn. The question is what conditions should be attached to the development.

Sir Douglas was ruling on an appeal brought by the Peak Park Planning Board, which has jurisdiction over about 380 acres of the proposed 500-acre quarry at Old Moor, three miles east of Buxton. The remainder of the land comes under the planning authority of Derbyshire County Council.

In effect, the planning board was appealing against Mr. Shore's failure to impose conditions on the development which it thought desirable. The board wanted annual output restricted to 10m tonnes, a limit of 50 years, minimum sales of limestone for non-chemical purposes and a limit to the amount of limestone carried out by road.

Mr. Shore believed at the time of his grant of planning permission that it was outside his jurisdiction to impose such conditions. The High Court has disagreed.

The Department of the Environment will now work on a new set of planning conditions, and is likely to grant a new permission within a matter of months. There will be no further planning inquiries.

The Old Moor quarry would be an extension of ICI's existing Tunstead quarry, which produces high quality chemical grade limestone for the manufacture of soda ash and lime. Old Moor is seen by ICI as a replacement for the diminishing reserves of Tunstead, but would not reach maximum production until the 1990s.

The group had started to landscape the periphery of the quarry area as a prelude to development.

Although ICI's fundamental position at Old Moor has not been changed by the High Court decision, it seems likely to trigger further arguments about the role of National Parks. "The case is a classic example of the conflict between economic necessity and the preservation of outstandingly attractive landscape," the judge said.

Caledonian drops Concorde plans

BY LYNTON McLAIN

RAPIDLY RISING fuel costs have forced British Caledonian Airways to abandon plans to operate Concorde.

Mr. Adam Thomson, chairman of the airline, said yesterday that "there is now no way we could operate the supersonic aircraft profitably."

BCal had considered using Concorde if the Government would write off the capital cost to subsidise services.

But fuel costs had risen by 34 per cent at the end of the airline's just-completed six-month study of prospects for Concorde operations to Houston, Texas, Atlanta, Georgia, and Lagos, Nigeria.

Mr. Thomson has told Sir Keith Joseph, Industry Secretary, of the decision that he could see no economic basis for supersonic aircraft on BCal's international routes.

The airline appointed Mr. Gordon Davidson, the former British Airways Concorde director, to plan its routes.

Fuel accounts for up to a third of the operating costs of Concorde, compared with just over 20 per cent for a DC-10.

Mr. Thomson said the decision to drop the bid for Concorde was also influenced by the low fares on routes to the southern U.S. The fare rate was a third higher on the London to New York route than on the route to Atlanta. This explained why Concorde was viable to New York.

The move will leave the Government with two unsold Concordes, but it is expected that British Airways which already has five Concordes—with a sixth starting in January — will take over the last aircraft.

British Caledonian has applied to start a scheduled service between London, Gatwick, and Hong Kong, with stops in the Middle East. This would rival the proposal from Laker Airways for a Skytrain service to Hong Kong, which was lodged with the BCal application to the Civil Aviation Authority.

Ways of cutting air fuel bills by up to 5 per cent were discussed yesterday by 20 airlines at a meeting at Gatwick Airport.

Lockheed, the U.S. aerospace company, has offered to link the airlines into its JetPlan scheme. This saved 3m gallons of fuel worth more than £1.4m for 100 airlines in the U.S. last year. The service provides detailed flight plans with up-to-the minute weather reports and the precise amount of fuel needed for a particular route.

German Navy buys 12 British helicopters

THE West German Navy has ordered 12 British anti-submarine Westland helicopters in a contract worth £30m, with deliveries expected to start in two years, writes Lynton McLain.

The Lynx has now been ordered by six European countries, Germany, France, Britain Holland, Denmark and Norway. It has also been ordered by Brazil and Argentina.

The aircraft are all powered by two Rolls-Royce Gem-4 engines.

The latest order brings to 299 the total number of army and navy versions on order by *armed forces around the world*.

The German Navy will operate the aircraft from the six F.122 frigates now under construction. In addition to its main anti-submarine role, the helicopter is designed to attack anti-ship missiles. The Germans ordered 23 Westland Sea King helicopters six years ago.

Sealink cuts summer services to Ireland

BY OUR SHIPPING CORRESPONDENT

SEALINK HAS decided to cut several sailings between Britain and Ireland this summer because the petrol shortage has led to a decline in business. Petrol shortages are particularly severe in some parts of the Republic. This has led to cancellations and, since May, to a big drop in bookings for the peak summer period.

The services to be withdrawn are an evening sailing from Holyhead to Dun Laoghaire between July 19 and September 2 and an evening sailing between Fishguard and Rosslare between July 13 and September 2.

Both these services were extra sailings introduced to cope with the boom in Irish tourism, which last year brought Sealink a 17 per cent increase in passenger business.

Mr. David Ainsworth, Sealink's chief traffic manager, said that if measures recently introduced to ensure that tourists can buy petrol in Ireland were effective and traffic picked up, the services would be reinstated.

Ferry bookings to Europe have not so far been affected by the petrol shortage.

Tate director chosen

THE NEW director of London's Tate Gallery is to be Professor Alan Bowness, who has always been regarded in the art world as the favourite to succeed Sir Norman Reed when he retires at the end of this year. Professor Bowness, who is 51, has for the past year been Professor of the history of art and deputy director of the Courtauld Institute in London, writes Antony Thorncroft.

He takes over the Tate at an exciting time. A large new extension has just been opened, and plans are progressing to develop new galleries in the adjacent and redundant Queen Alexandra Military Hospital. Two wards are already being converted, one of which will show the Tate's collection of Turners which up until now has not been on permanent display.

Sir Norman Reed, who is 63, has been director of the Tate since 1964. Apart from championing the new extension, he has been associated in particular with adding to the Tate's collection of modern art.

Building industry harmed by Government, says TUC

BY NICK GARNETT, LABOUR STAFF

THE GOVERNMENT was accused yesterday by the chairman of the TUC construction industry committee of using the industry as an economic regulator "in a particularly vicious way."

Mr. Les Wood, who is also general secretary of the Union of Construction, Allied Trades and Technicians, warned the Government that construction unions would take every step open to them within the law to protect jobs.

The construction industry committee, which met yesterday, is seeking a meeting with Mr. Michael Heseltine, the Secretary for the Environment, to express deep concern at what it believes to be the damage both the Budget and public spending cuts will do to construction.

Mr. Wood yesterday predicted that the cuts would result in a rise in construction unemployment to more than 200,000 within a year, a 5 per cent fall in new construction work and severe repercussions on work and employment within building materials manufacturing and industries making consumer goods.

Direct labour

The TUC will also want to discuss with Ministers, Government proposals on direct labour organisations run by local authorities and on the Construction Industry Manpower Board.

The TUC believes that a series of decisions and proposals made by the Government will have a severe impact on construction.

These include cuts in public spending on the water industry, new housing subsidies and the Rate Support Grant and plans to scrap the Community Land Act. The VAT increase on building materials and the rise in the Minimum Lending Rate would also work to the detriment of construction.

Ministers will be told by the TUC that any legislation changing direct labour organisations into independent trading bodies must be accompanied by the removal of restrictions which prevent them tendering for certain types of new work.

The construction committee will be writing to Ministers requesting that the Construction Industry Manpower Board which is due to be wound up in August, should be reconstituted for a further year.

Supervisors may halt postal staff pay packets

By John Lloyd

MOST OF the Post Office's 400,000 will not receive their pay next week if action by supervisors who control the computerised payroll system goes ahead today.

The supervisors, members of the Society of Civil and Public Servants, have voluntarily overseen the processing of the payroll in the Harmondsworth and Leeds computer centres while on strike from other duties in support of a 25 per cent wage claim.

However, the society has been angered by a decision taken by the Post Office to merge the data processing busines into telecommunications and National Girobank, claiming that it has been insufficiently consulted. An announcement of the decision to proceed with the merger by July 2 precipitated the threat to withdraw labour today.

The society said last night that the supervisors, who had only conducted the payroll work under pressure from the union, would certainly not turn up for work today.

However, the Post Office said that calculation of the effects of the action could not be made until it was clear how many supervisors turned up for work.

Yet it is clear that if the supervisors do not attend, the payroll operators will refuse to work too. In that case, next week's wages for weekly paid staff — the bulk of Post Office employees — will not be processed.

The Post Office is clearly worried by the possibility of a shutdown in the payroll division, which will add to problems in telecommunications revenue and supplies, both of which have been severely affected by the computer operators' actions.

It says that the unions have been fully consulted on the merger plans over the past year, and that the move has been made to increase corporation efficiency.

Chemical workers reject 12%

By Nick Garnett, Labour Staff

UNION NEGOTIATORS for workers in the drugs and fine chemicals industry have rejected a pay offer that would have provided about 12 per cent new money on the basic minimum rate.

Further negotiations for the 20,000 workers in the 40 companies covered by national talks will take place next month. A *settlement was due on May 8.*

Members of the General and Municipal Workers' Union have joined the Transport and General in rejecting a 16½ per cent pay and restructuring offer made by ICI.

Mr. David Warburton, General and Municipal national officer, said his members had voted four to one to turn down the proposals. The unions will seek a further meeting with ICI.

Union officials have rejected an offer from Glaxo worth 11.5 per cent on minimum rates. Further negotiations are being convened.

National pay talks for heavy chemicals collapsed last week and will revert to local level unless the Chemical Industries Association improves its 14½ per cent offer.

Mersey docks at a standstill

MERSEY dockside was almost at a standstill yesterday as a further 1,000 men joined the unofficial strike over differential pay.

The trouble, which began on Monday over a dispute involving differential pay, appeared to be resolved on Wednesday when the men voted to go back. Within hours they walked out again. The strike is now certain to continue over the weekend.

Unfair dismissal rule proposals 'hit workers' rights'

BY ALAN PIKE, LABOUR CORRESPONDENT

CHANGES proposed by the Government in the unfair dismissal regulations would result in a 25 per cent cut in the number of applications to industrial tribunals, the TUC said yesterday.

The intended alterations, said Mr. Len Murray, the general secretary, in a letter to Mr. James Prior, the Employment Secretary, were a "significant deterioration in the existing legal rights of many workers".

Mr. Prior is considering extending the qualifying period of service for making an unfair dismissal complaint from 26 to 52 weeks and to 104 weeks for people under 18, and reducing from 60 to 30 days the consultation period on redundancies when fewer than 100 people are involved. These changes could be made by Order.

Mr. Murray, outlining the TUC employment and organisation committee's objections to the proposals in his letter to Mr. Prior, said the Government's alleged justification was that the legislation was a con*siderable burden on employers* and that its removal could have a significant impact on recruitment, especially in small firms.

"There is no authoritative evidence that this is the case." Surveys had not indicated that employment law inhibited recruitment. The Department of Employment should be making greater efforts to remove misunderstandings rather than "reducing the obligations of employers to a level well below that of the average standard in the EEC."

Only about 2 per cent of unfair dismissal applicants were under 18 years of age, said Mr. Murray.

Increasing their qualifying period would not therefore represent any marked lightening of employers' burdens, but it would "make even more vulnerable to arbitrary management action and exploitation a group in the labour force which already suffers from a number of disadvantages".

Mr. Murray said that the proposal to limit the consultation and notification period on redundancies was a step totally in the wrong direction.

"The prospect of an acceleration in technological change makes it imperative that the *public employment service* and trade unions receive increased periods of notice from companies about changes in manpower levels, not less as proposed by these changes."

White-collar unions may call gas strike

FINANCIAL TIMES REPORTER

WHITE-COLLAR UNIONS rejected a new informal pay offer by the British Gas Corporation at a working party meeting yesterday, and there are indications that industrial action will be taken.

The National and Local Government Officers' Association and MATSA, the white-collar section of the General and Municipal Workers' Union, rejected an offer they estimated at about 11 per cent. The corporation had previously made an informal offer of 9 per cent.

Both unions want a new minimum rate of £65 a week; NALGO wants a substantial offer to restore wages to 1975 purchasing power, and MATSA an increase estimated at 30 per cent.

Mr. Maurice Reed, MATSA national officer, said there was still a great deal of distance between the two sides. MATSA staff side meets on Tuesday and strike action by the 6,000 Gas Corporation members will be discussed.

NALGO, which represents 45,000 of the 55,000 white-collar gas workers, will hold a delegate meeting two weeks after the final offer to consider it. The new agreement is due to run from July 1.

The employers will hold a full meeting with the unions next Wednesday.

The union negotiators want changes in the self-financing productivity scheme at British Gas, and restructuring of the incremental system, with elimination of a number of grades.

New dispute follows hospital settlement

BY PAULINE CLARK, LABOUR STAFF

HOSPITAL works supervisors, who seriously disrupted Britain's hospital services during their five weeks industrial action last October, may be asked shortly to consider further action because of new troubles over the 1978 pay settlement.

The National and Local Government Officers' Association, one of the main unions representing the 3,500 area and district works staff, has rejected an employers' proposal that part of the cost of the 1978 restructuring exercise should be deducted from this year's pay award.

The union says that "a call for action seems imminent" if management continues to insist on the proposal when off-costing was not agreed when the gradings deal was reached.

The Department of Health said that talks this week had been adjourned to allow both sides to consider their positions.

There was no question, however, that employers would demand that the total 15 per cent productivity deal which ended last year's industrial *action be costed against* any settlement this year.

The union says that a 9 per cent offer has been made to all works staff from April but with the provision that the increase be reduced by the cost of implementing the new grading structure.

● Nearly half of all full-time ancilliary workers in the hospital service are taking home less money than they could get on social security, the General and Municipal Workers' Union claims in its evidence to the Standing Commission on pay comparability.

It has told the Commission set up by the last Government under Professor Hugh Clegg that over many years, "the Government has been guilty of *gross neglect towards its own* employees—even according to its own official poverty level."

The union is among four representing 250,000 hospital ancillary workers who agreed with employers last February to a pay comparability exercise as part of their latest pay settlement. In its submission, the union claims that in April, 1978, the average ancillary worker was earning more than £21 a week less than his colleague in outside industry.

It urges basic rate increases to be tied to pay levels in outside industry ranging from the labourer to the supervisor. The union also presses for differentials comparable with outside and a guaranteed minimum bonus of not less than 10 per cent of the hourly

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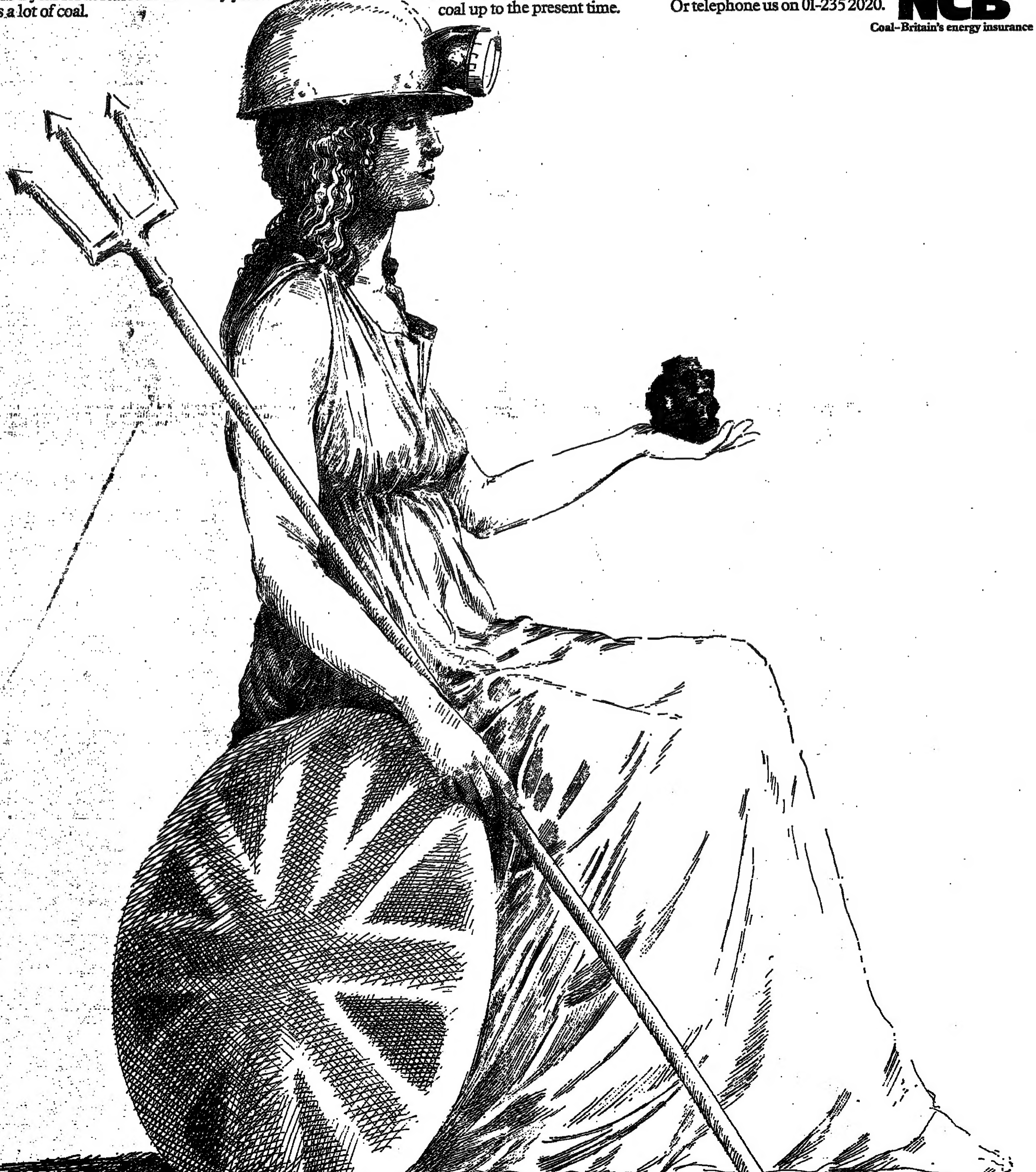

THE PROPERTY MARKET

BY MICHAEL CASSELL IN NEW YORK

Manhattan regains its strength

IT SEEMS New York has not looked back since Mayor Ed Kock took hold of a broom and, along with a few less *enthusiastic civic dignitaries*, started the job of brightening up the badly tarnished image of "the Big Apple."

Federal support, a fresh influx of international business operations, new status as an insurance free-trade zone and the return *of big multi-nationals* which had previously foresaken Manhattan have combined to put the city back on its feet.

What was a real estate disaster area has been transformed into a buoyant property market, and in spite of the severe underlying problems *which remain, there is an optimism* which has not been seen since the early 1970s.

In 1972 when the worst recession since the last war hit the U.S., there were 25m sq feet of new Manhattan office space completed or in the course of construction and available.

The *rental* market was badly hit and many buildings saw reductions in rental values. Office building foreclosures were seen for the first time in *40 years* and the *conversion of* office space to residential use, even in good commercial locations started.

It has taken six years for the oversupply to be absorbed and for the market to regain its strength, and now Manhattan is holding its breath. Demand for midtown accommodation is *now rising rapidly* but the rate of new office developments is running at historically low levels with construction costs high, few prime sites left and most of the potential space being generated by refurbishment schemes.

The pressure seems bound to spil *over* into the downtown market, and there has been a spate of speculative office purchasing in the area—often by individuals prepared to pay up *to $20m* a time—in anticipation of a major drift towards Lower Manhattan by the major corporations.

Midtown rents have now risen to *$13 a sq ft on the fringe* to as much as $40 a sq ft for small prime suites.

Edged up

An average $22 a sq ft asking price compares with $8-10 a sq ft three years ago. Downtown rents have edged up to *between* $7 and $16. For the most part such rentals have been left well behind by prime space in London.

The disparity is even greater than is at *first* apparent because full repairing and insuring leases are almost unknown in the U.S., and the additional tax and service charges payable by a New York landlord can amount to $8-10 a sq ft, but there are some who suggest the 250m sq ft Manhattan office market has a long way to go in a short time.

Simon Milde of Jones Lang Wootton, which this year has handled the disposal of eight downtown properties amounting to 3m *sq ft of office space* says that if trends continue and new development does not speed up, average rents could rise by between 50 and 60 per cent this year. *He believes that the New* York market for well-located office premises will continue to strengthen over the next year, regardless of the behaviour of the national economy.

"From 1975 to the start of 1979 only 3.5m sq. ft. of competitive office space was constructed in New York City—*just* half as much space in five years as the average for a single year in the 20 previous years. Apart from the glut of office space hanging over the market there were other deterrents such as inflation, higher correction, tighter planning controls and a significant lack of well-located, usable sites."

Now there are apparently only seven midtown buildings under way, with a total of *5m* sq. *ft. of space. Half of this will* be occupied by its own corporate developer-owners. Of the balance, around 50 per cent has been rented in advance, leaving little more than 1m sq. ft. of speculative space on the market. A few other buildings are planned but they will not be brought on stream before 1982 or 1983. According to Milde "even in the worst of the recession years from 1972 to 1976 the absorption rate for new space was in excess of 2m sq. ft. a year."

Not everyone, however, views the future with such confidence. Earl Reiss, who is masterminding the Knight Frank Rutley joint venture with Douglas Elliman, believes that no one knows how the market will go, now that predictions of an *impending recession* seem as plentiful as potholes in the New York streets.

Sound base

"The real estate market here is certainly looking more soundly based than it has done for some time but it could very easily be knocked sideways by an economic crisis. It is nonsense to suggest that the type of strength now being seen would not be hit if the U.S. walked into another recession."

But barring any such calamity, the prospects for Manhattan look good. Whereas during the early and mid-1970s *many foreign* companies avoided the city and many local and national companies decentralised to the suburbs the trend has now been reversed.

According to Brian Goswell of Healey and Baker's New York office the decision of major organisations like IBM and Philip Morris to relocate in Manhattan from the suburbs is indicative of the city's new respectability. So far only a few of the major corporations have edged downtown into the financial district but many international banks, especially from the UK, Japan and Germany have been moving in to take up space created by previous new developments, such as the World Trade Centre and the U.S. Steel-Merrill Lynch complex, as well as space left behind in the wake of the numerous investment bank mergers.

Fresh legislation establishing New York as an insurance free-trade zone, *placing* the insurance industry in direct competition with Lloyd's of London could soon be joined by laws to make the city a free-trade zone for banking *purposes as well.* If this is enacted, it could also have a substantial impact on New York's role as a banking centre.

So it seems that the city's prospects are brighter than at any time in the past decade, though it could still prove to be the victim *of* circumstances beyond its control. As they are fond of saying over here—the bigger they are, the harder they fall.

U.S. Prudential buy trade centre

IT LOOKS as though the World Trade Centre, the twin-towered landmark which reaches more than a quarter of a mile above down-town Manhattan, could soon figure in one of the largest property deals of all time.

The centre, which si virtually fully let and houses more than 800 tenants, has been the subject of rumours about an impending sale since the Deutsche Bank last year made tentative advances with a *view* to acquiring the complex.

Suggestions that America's Prudential Insurance is seriously contemplating purchase of the centre is likely to involve a price of about $1bn seem to be correct. According to Mr. Ben Lambert, president of Eastdil Realty, an investment banking company specialising in real estate and now at the centre of negotiations over the centre's possible sale, the deal could be completed in six months.

Prospects

"Given current building costs and the prospects of big rent increases, a properly managed WTC has a longer-term viable future ahead of it. *I am hoping* an agreement can be reached which will make its sale to the Prudential possible within six months."

Mr. Lambert does not underestimate the difficulties which any deal would represent, *not* least the transfer of such a massive piece of real estate investment from the public to the private sector.

The centre was built by the Port Authority of New York and New Jersey for about $1bn and opened in 1972. It has *since attracted concessionary* real estate *taxes* of about $3m a year.

Tax liabilities for any new owners of the complex which has 9m sq ft of rentable office space as well as the largest enclosed shopping mall in Manhattan will be a major problem to overcome.

With special dispensation, the annual tax due from any private owners could be kept down to about $7m, but other*wise the bill could be some*what less attractive—$65m.

With a price tag not very different from the original cost, the owners do not stand to make much out of the deal, although they need capital and are clearly keen, given the right circumstances, to pass ownership to someone like the Pru.

The opening of the centre created severe distortions on the downtown Manhattan property market, and space in the building—there is an acre of space on each of the 110 floors—was let at give-away rents.

Emphasis on modernising hotels

A FRESH bout of hotel development is underway in Manhattan where hotels are running at an average of 90 per cent occupancy rate for much of the year and with everything to *suggest that* the number of visitors will be higher.

The emphasis is very much on modernising existing hotels, with developers taking advantage of tax incentive programmes which can defer, or at least limit, real estate taxes for anything up to 40 years after renovation.

The existing Hilton on Fifth Avenue plans to build a 1,000-room extension. The famous Taft, having seen better days, *is also to be* refurbished. The Berkshire has just been modernised by Air *Lingus*. One of New York's best architects, John Portman, has produced plans for a hotel *complex in the* "Forties."

A new Hilton International is being built between the two towers of the World Trade Centre. Many people are questioning the viability of a hotel tucked away in an area which is not traditionally popular for hotels.

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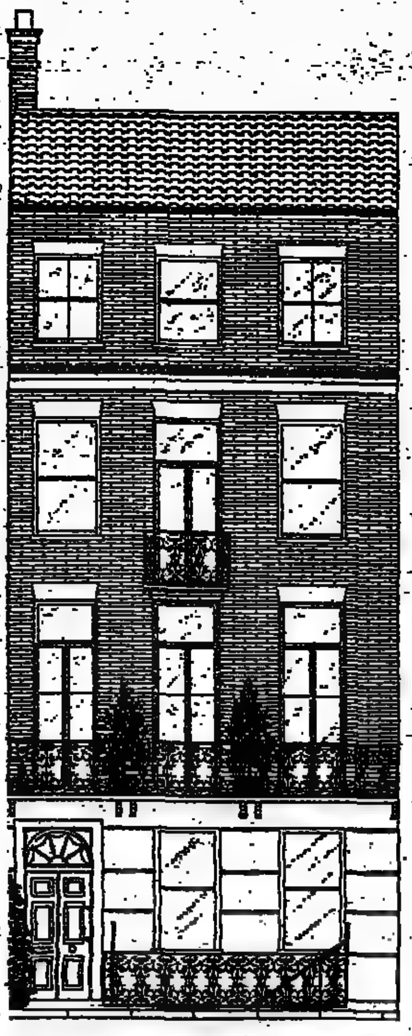

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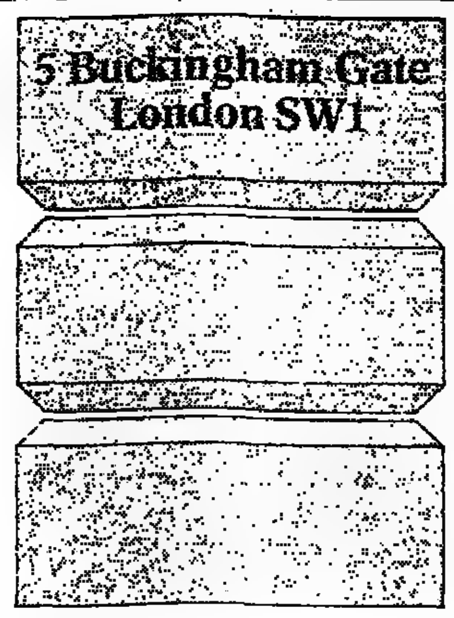

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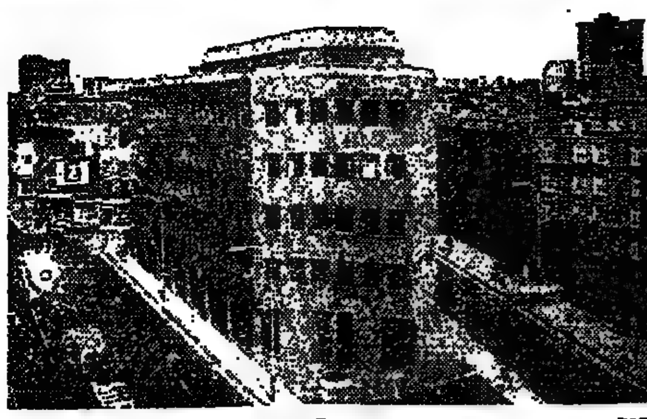

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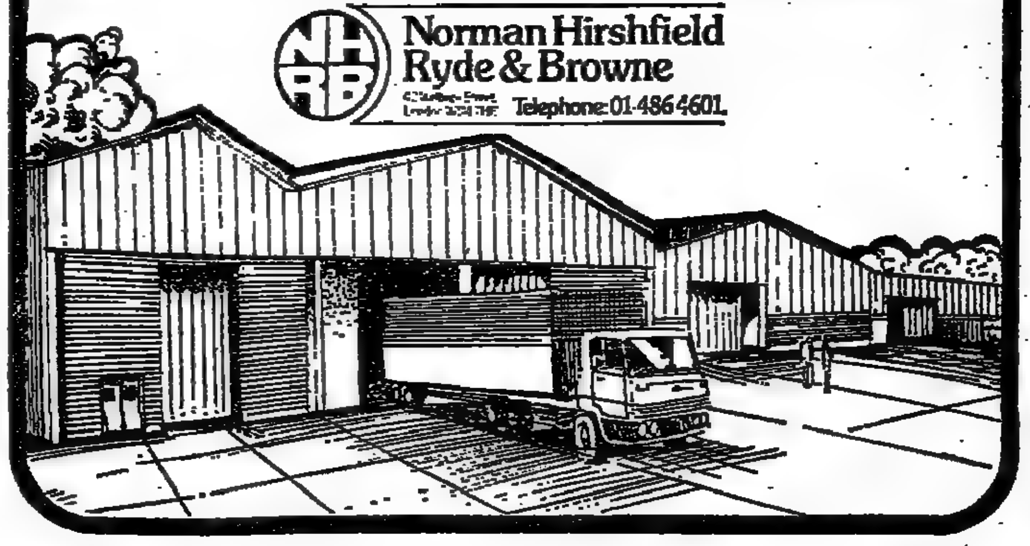

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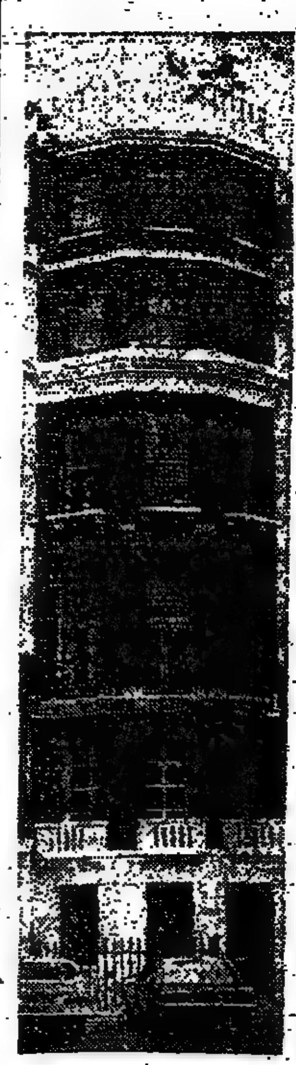

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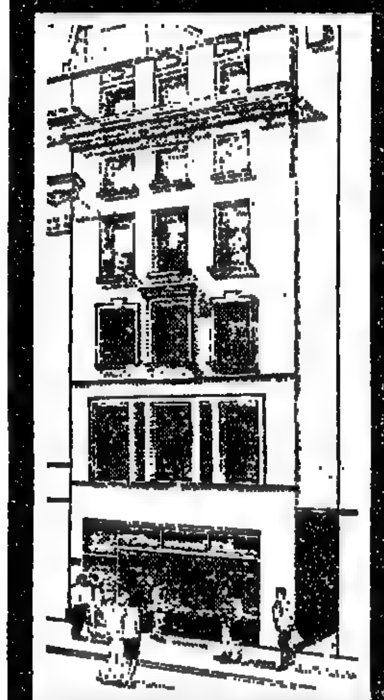

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ENERGY REVIEW: NEW AMERICAN OILFIELDS

BY DAVID LASCELLES IN NEW YORK

U.S. oil deficit now a way of life

AMID ALL the wrangling about President Jimmy Carter's new policy to decontrol oil prices, *one crucial question gets less* of a hearing than it deserves: will this policy actually boost U.S. oil production? If so, where will the extra oil come from?

Mr. Carter's backers argue that the more the price of oil goes up, the more the oil companies will want to go out and find it. Others who claim to have analysed the oil companies' economics say that producers already enjoy so high a return on domestic oil that raising prices will make little or no difference. Some add that all the big oilfields have already been found, so that the exercise *is futile.* Americans will only end up paying more for their oil without any guarantee of more supplies.

The supporters of de-control have by far the biggest guns. Apart from Mr. Carter himself, they include the entire oil industry, Wall Street, and most economists. Of these, Mr. Carter and the oil companies are bound to *argue* that de-control will boost production, because this is one of the major justifications *for raising prices.*

Energy specialists with less of an axe to grind agree that there is more oil to be found, *though it will be extremely* expensive to produce, either because it lies in small, uneconomic pools, or in northern or offshore regions where production costs are enormous.

The oil production of the U.S. is currently on something of a plateau. After peaking at just under 3.5bn barrels in 1970, it fell to below 3bn barrels in 1976 when the start-up of Alaskan production pushed it back to nearly 3.5bn again. It is unlikely to go higher than that. Although Alaskan production could, theoretically, be doubled, it will be years before that happens. Production from the other states is dropping steadily.

Known reserves

The underlying or reserve situation is not improving either. Known reserves reached 32bn barrels in the early 1960s, after which they started falling off again. The Alaskan discoveries pushed them up to nearly 40bn barrels in 1970, but by the end of last year they were down to 29.5bn barrels, and likely to drop further unless something happens.

Dozens of forecasts have been made of the increase of oil production that decontrol will bring, ranging from 10 per cent to 25 per cent over the next five years or so. Most of them are of little use because Congress *has* yet to decide how big a windfall profits tax it will levy on the oil companies' additional earnings. The House Ways and Means Committee has proposed 70 per cent, as against 50 per cent proposed by the Administration, but it does not follow that either will be the final figure. The main point is that the availability of oil is not the limiting factor. Rather the opposite. Geologists argue that present reserves could be increased to 100bn barrels or more, provided that oil producers are given the incentive to find them.

The mistake is often made in assessing U.S. production prospects of assuming that it is the Exxons, Gulfs and Texacos that find the oil. That is not so at all. According to the American Association of Petroleum Geologists, independent producers account for nine out of 10 wildcat wells drilled in the U.S., and have found 54 per cent of *current oil and gas reserves.* It is, therefore, the economics of such operations, often run by one or two *men only*, that should be considered.

What the independents need above all else is capital. Unlike *the oil giants, they have* few resources of their own, and are less attractive to outside investors. Although the shift is now to offshore wells, the small producer will continue to poke around for the small wells onshore where the giants cannot be bothered to look. A good independent can get a well into production for as little as $200,000, a fraction of what it would cost a company like Exxon. But the chance of his losing his shirt are all the greater.

Most of the independents are active in the traditional oil regions, Texas, Louisiana, Oklahoma, though some are also moving further north to the new producing regions around the Rockies, such as the Overthrust Belt (OTB) in Wyoming, Utah, and Idaho. This wide geological belt has been explored for several years. Its real potential has only recently emerged, and seems to be mainly for natural gas.

Mr. Tom Petrie, oil industry analyst at First Boston, the Wall Street investment firm, wrote in a recent analysis of the OTB: "Notwithstanding the attention that was being focused (last summer) on the Baltimore Canyon following Texaco's encouragement, the most important exploratory news of the year was actually recorded in the Overthrust Belt region." The Rocky Mountain Oil and Gas Association has estimated the belt's reserve potential at over 50 trillion (million million) cubic feet. Mr. Petrie says this is probably a biased judgment, but he also says that "results to date are already very impressive and augur well for 1979-80."

Yet the main new finds are likely to be made offshore. There were hopes that the Baltimore Canyon might turn up something big. This promising structure 100 miles under the sea off New Jersey would be a boon to the energy-short East Coast. But so far, after over a year of drilling, there has only been one good find, of gas, by Texaco in a block at the northern end, and it has not yet been evaluated. At the latest lease auction, on February 28, companies made only $42m worth of winning bids for 44 tracts, a mere fraction of the $1.1bn at the first auction in 1976.

Wrangling

The failure of the Baltimore Canyon so far to live up to expectations has *boosted interest* in other domestic exploration areas. Most immediately, the experience with the canyon bears on the prospects for George's Bank, a structure just to the north, off the coast of Massachusetts. After years of legal wrangling by environmentalists and people concerned about the area's rich fish stocks, the courts finally gave the go-ahead for exploration in February. Lease auctions will probably be held towards the end of the year, with drilling starting next spring. A find would be significant because of its proximity to a highly populated but energy-poor area.

Several zones off the Atlantic and Pacific coasts are being examined, like Georgia, where drilling has just begun, and southern California, where the oilmen have to contend with stiff environmental opposition. But they tend to be overshadowed by the Alaska and the Gulf of Mexico, the two largest areas which have been most productive in the past.

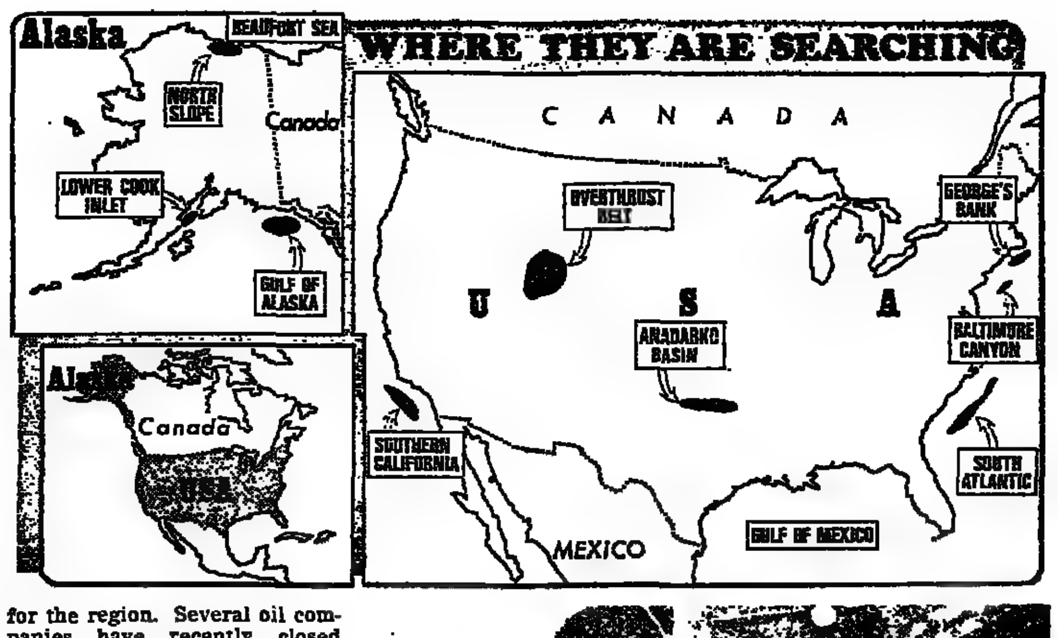
The high taxes and hostile operating conditions of Alaska (where it can cost $30m to drill a hole, as against barely a third of that in the Baltimore Canyon), have tended to dampen the oil companies' enthusiasm for the region. Several oil companies have recently closed their *exploration offices there,* in spite of the high estimates of undiscovered oil and gas reserves *put out by the U.S. Geological Survey,* amounting to 30bn barrels of oil and 76 trillion cubic feet of natural gas. Of the three companies with a share in the Kuparuk field next to Prudhoe Bay, only one, Arco, has so far announced that it will move into development.

For the companies that do stick it out, the best prospects seem to lie in the Beaufort Sea, the icy wilderness off Alaska's north coast. Tracts covering over 500,000 acres about 50 miles north-east of Prudhoe Bay are due to be auctioned in December. Off the neighbouring Canadian coastline, Dome Petroleum has been exploring for the past two summer seasons, without definite results having become known.

Two other Alaskan offshore areas have won attention. The Gulf of Alaska was drilled in 1976-77 with no result at all despite the existence of several big structures. But oilmen believe that next year's auction of leases covering the southern portion of the gulf could be promising. The only well so far drilled in the Cook Inlet (by Marathon) off the Alaskan south coast, turned out to be dry, too.

The U.S. has already investigated about 50 sedimentary basins, and geologists estimate that an additional 20-30 remain to be drilled. However—as well as being more costly—they could prove more politically difficult to open up. Unlike the earlier wells which were largely drilled on private land, the new offshore and Alaskan frontier regions lie in federal territory, for which federal leases must be obtained. Mr. Carter has urged a speedier sale of federal oil leases as part of his overall energy programme. However, the oil companies argue that a considerably more liberal policy on leases is needed if the country is to reach all its oil and gas. Some companies even argue that the federal lease issue is as important to them as oil price decontrol.

The only point on which most participants in the oil debate are able to agree is that a large surge of U.S. oil production is out of the question: the old wells are declining too fast, and the chances of making large new finds are slim, even with price decontrol. But with luck (indispensible to the oil business) it should be possible to maintain present production for several years more. So the U.S. should now prepare itself for a permanent oil deficit by improving conservation and developing energy sources other than conventional oil.



A well protected worker in Alaska helps in a drilling operation to erect steel pipeline supports.

CONTRACTS

£7m machine tools order for KTM

AS PART of the programme to *expand production of the Land-Rover*, Jaguar Rover Triumph has placed two orders worth nearly £7m with **KEARNEY AND TRECKER MARWIN**, the Brighton-based machine tool company.

The first, worth just under £1m, is for equipment to machine crankshafts for the Land-Rover engine. The second order, valued at £6m, is for transfer machines to produce completely machined cylinder heads. The heads are for the same Land-Rover engine. There are 15 machines in the system. The machines will be installed at the Solihull engine plant.

*

Occidental has signed a £5m contract with **BRITISH AIRWAYS HELICOPTERS** to service the Piper and Claymore oilfields in the UK sector of the North Sea. The two-year contract provides for 30 or more weekly service flights to the platforms carrying crew changes and essential freight.

SPERRY UNIVAC, the computer *manufacturing division of the* Sperry Rand Corporation, is supplying a 90/30 computer, worth £350,000, to the Institute of London Underwriters. The sale of the 90/30, replaces an ICL 4/50, for batch processing. The ILU is a non-profit making organisation within the London insurance market which acts for over 100 member companies who have dealings with about 400 insurance brokers. Approximately 14,000 pages of documentation are produced daily.

*

The Open University has leased a **SPERRY UNIVAC** 1100/81 mainframe computer system worth £1.7m. The computer, to be installed in the University's buildings at Milton Keynes, will be linked to a network of 50 Sperry Univac "intelligent" terminals siutated round the country in the University's 13 regional offices. These will be used for interrogations of student data stored by the computer.

Pym warning on Soviet build-up

BY REGINALD DALE

A STRONG warning against complacency over the state of Britain's defences in the face of the ever-increasing military build-up by the Soviet Union, was delivered by Mr. Francis Pym, Defence Secretary, in London yesterday.

In what was billed as a "key-note speech" on the Conservative Government's defence policy, Mr. Pym said that security was not "some sort of optional extra which we can do without in hard economic times." It was up to politicians to do all in their power to prevent a relapse into an "ostrich-like attitude."

The dangers facing the UK were greater than any faced in the past, Mr. Pym told a meeting of the Conservative Party's Women's National Advisory Committee.

"The biggest danger of all is simply to take our security for granted and not face up to what is needed to preserve our freedom and democratic way of life," he said.

It was impossible not to be uneasy when considering that the Soviet Union continued to devote 12 to 13 per cent of gross national product to its armed forces and had increased defence spending by 4 per cent annually in recent years.

No country or group in the world constituted any real threat to the Soviet Union. Yet the Soviet Union continues to build up immense military power and in the forms which more and more give her the capability, if she were ever so to choose, to take the initiative militarily."

Mr. Pym quoted a remark by General Alexander Haig, outgoing Supreme Allied Commander in Europe, that there had been an "explosion" in Soviet military capability. Soviet activity had spread outside Europe to Ethiopia, South Yemen, parts of Southern Africa and Afghanistan, while the expansion of the Russian Navy was "a very serious development."

The threat to Western interests was obvious and could only be ignored 'at our peril." Why, he asked, did the Soviet Union think it necessary to maintain a large armoury of offensive chemical weapons, unmatched by NATO.

The Soviet Union felt it necessary to spend 30 to 40 per cent more than the U.S. on military preparations. Yet Moscow could, if it wanted, put an end to the unremitting Soviet military build-up without risk to its security.

Mr. Pym was not advocating any sort of arms race. The UK would continue to seek realistic easures of arms control, but that could only be done from a position of strength.

Mr. Pym welcomed this week's signing of the SALT II treaty between Washington and Moscow, limiting strategic nuclear arms. He emphasised, however, that NATO must respond to the growing threat from intermediate range Soviet nuclear missiles by modernising its own nuclear forces in Europe.

As far as nuclear forces were concerned the UK would maintain the effectivenes of its contribution to the strategic deterrent and face the important responsibility and role it had to play in the NATO modernisation discussions, he said.

He emphasised that the Conservative Government did not envisage "the emergence of any form of independent European deence capability, because deence is not covered by the terms o the Treaty of Rome (setting up the EEC) and Europe's defence is based firmly and exclusively on NATO.

The Alliance provided the framework for the "solid and indispensable commitment" of the U.S. to the security of Western Europe.

Enforced pay wait angers MPs

BY IVOR OWEN

ANGRY BACKBENCHERS sank their political differences in the Commons yesterday to join forces in condemning the Government's proposal that MPs should wait until June, 1981, for the full £5,000-a-year increase in their pay recommended by the Boyle Committee.

"It is deplorable and disgraceful," stormed Mr. Nicholas Winterton (C. Macclesfield), while Mr. Joe Ashton (Lab. Bassetlaw) pointed out that since the Boyle Committee's last report in 1975, the national average wage had increased by 60 per cent while MPs' pay had risen only by 17 per cent.

Mr. Norman St. John-Stevas, Leader of the House, conceded that that was "a most telling figure" but repeatedly emphasised the impact that a *massive single-stage rise for* MPs would have on pay negotiations throughout the country.

For that reason, he explained, the Government had decided that the £5,000 increase (most MPs receive £6,897 a year) should be implemented in three equal stages.

The first stage would be backdated to June 13 this year, the second will be paid in June next year, and the third in June 1981.

Mr. St. John-Stevas appealed to MPs on all sides to recognise that "it would be entirely wrong if we in this House were to treat ourselves more favourably than others."

Aggrieved backbenchers forcefully reminded him that it was never the right time to increase Parliamentary salaries. They called on the Government to give effect to a resolution approved by the Commons in 1975, which urged that MPs' pay should be linked to that of the Assistant Secretary grade in the Civil Service and raised automatically parallel with annual reviews, without members' being required specifically to vote themselves more money.

Mr. St. John-Stevas was accused from the Labour benches of resorting to a "shabby manoeuvre" when he insisted that the Government would stand by its proposals.

If the House wished to employ the linkage formula, it would have to pass another resolution. Ministers, he emphasised, would vote against it because they would be bound to support the Government's proposals.

Sir Derek Walker-Smith (C., Hartford E.), a senior backbencher and a former chairman of the 1922 Committee, was among those who supported the linkage proposal. He explained that if it were to be adopted, MPs would be entitled to a salary of £17,000 a year instead of the £12,000 recommended by the Boyle Committee, whose proposal was, at best, no more than "a tardy and partial act of justice."

Mr. James Callaghan, Leader of the Opposition, urged the Government to reconsider its attitude to the Boyle report. It would be invidious for MPs to have to vote against the Government to increase their own salaries.

Ignoring protests from both sides of the House, Mr. St. John-Stevas held to the Government's position. But he promised that if the House were to vote against the advice of Ministers its decision would be accepted by the Government.

Mr. David Steel, Liberal leader, also supported the linkage formula, but Mr. James Molyneaux (UU, Antrim, South) reminded his colleagues that in spite of all the complaints about the hardships suffered by MPs through inadequate salaries, there was no shortage of people wanting to enter the Commons.

In acknowledging that, Mr. St. John-Stevas pointed out the need to take account of feeling and opinion in the country, which was not always that of journalists and newspapers.

Mr. Callaghan

Mr. St. John-Stevas

Militants press home their claim

By Philip Rawstorne

IT WAS a packed and militant House of Commons that pressed its pay claims yesterday on the Government.

The politicians had a strong case. Parliamentary salaries have not been fully up-dated for seven years; legislative output remains high; and a lot of MPs are working an 80-hour week.

Pay policies over the past four years have worked rather more effectively at Westminster than in the rest of the country—restricting MPs to a 17 per cent rise while average earnings have increased by 60 per cent.

Now Lord Boyle's Review Body had recommended an 82 per cent rise, to £12,000

The Government accepted the new rates, Mr. Norman St. John Stevas, Leader of the House, reported. "However . . ." he added, to groans, "it would be entirely wrong if we were to treat ourselves more favourably than others."

Mrs. Margaret Thatcher and Lord Hailsham had set an example by denying themselves any pay rise until 1981, he said.

Everyone else would be given their increases in three equal instalments by that date.

There were angry cries of protest: embarrassed signs of disappointment.

Mr. Michael Foot, from the Labour Front Bench, complained at the lack of consultation between the Government, party leaders and backbenchers.

The Commons might insist *on payment in full and* immediately, he threatened. The Government's proposals were "unfair."

Mr. David Steel, the Liberal leader, urged that the increase should be phased in by 1980 and future rises linked to Civil Service pay.

As Mr. Nicholas Winterton (C. Macclesfield) observed, how could MPs contain and manage the bureaucracy if it had both better pay and facilities?

Mr. St. John-Stevas was sympathetic but unyielding. In a world where logic ruled, MPs would be far better paid, but in the real world, justice for MPs had to be balanced against the risk of forfeiting the goodwill and respect of the electorate.

Ulster Unionist leader Mr. James Molyneaux agreed that the Commons could not vote itself a large pay increase while calling for restraint *from other workers.*

But he was clearly in a small minority. Mr. James Callaghan was warmly cheered by Labour and Tory backbenchers when he suggested that the Cabinet should reconsider its decision.

Labour would share responsibility with the Government for a two-stage increase, he offered. There would be no difficulty in accounting for it to the voters.

Mr. St. John-Stevas was clearly intent on ensuring that the Government was not called to account in the country at all.

Responsible bargaining 'key to inflation'

BY IVOR OWEN

BEFORE MPs became embroiled in the row over their salaries, Sir Geoffrey Howe, Chancellor of the Exchequer, again highlighted the importance of "responsible" pay bargaining.

He emphasised that this would be vital in determining the level of unemployment and the rate of inflation.

Sir Geoffrey confirmed that he expects the annual rate of inflation to increase to about 17.5 per cent by the end of this year and to fall to about 13.5 per cent by the third quarter of next year.

Mr. David Winnick (Lab., Walsall North) suggested that over the next 12 months the annual rate of inflation would be well over 20 per cent. He questioned the "moral authority" of the Government to ask for restraint from working people when all forms of price restraint had been abolished and after a Budget that had rewarded the rich and privileged.

The Chancellor retorted that most people recognised that the Budget had made substantial reductions in direct taxation and released 1.3m from taxation altogether.

Mr. Denis Healey, the former Chancellor, clashed with Sir Geoffrey over his claim that the Government had inherited "very substantial difficulties" over inflation.

If the Chancellor really believed that inflation had been set on a rising course, Mr. Healey contended, it had been "insane" for him to raise VAT to 15 per cent and take other measures that would lead to higher rates, rents and mortgages in a Budget that had increased the Retail Price Index by 3 per cent.

Sir Geoffrey retorted: "You protest too much and protest in vain." He argued that had Mr. Healey introduced the Budget there would have been increases in indirect taxation without the compensation of reductions in direct taxation.

The Chancellor told Mr. Dennis Skinner (Lab. Bolsover) that the annual rate of inflation had been rising steadily since last October and that the Government had inherited a situation that gave no cause for satisfaction.

"With the help of responsible monetary targets and enforcement of cash limits in the public sector, we are determined to pursue policies which will reverse this trend and put the economy back on to a path towards higher productivity, greater output and lower inflation."

Mr. Nigel Lawson, Financial Secretary, reaffirmed the Government's determination to bring the rate of growth of the money supply (M3) within the new target range of an annual rate of 7 to 11 per cent for the next 10 months.

Family benefit to rise

BY ERIC SHORT

FAMILY INCOME Supplement rates are being raised from *November 13 with the general* increase in social security benefits. Details were announced yesterday by Mr. Reg Prentice, Minister of State for Social Security.

The benefit is paid to families on low incomes to supplement their earnings. The intention is to ensure that persons are better off working than unemployed.

To qualify, the father, in a two-parent family, must be in full-time work. The benefit is means-tested, with a complex method of calculating eligibility and the amount of supplement paid.

The maximum benefit is being increased to £12.50 a week for a one-child family and to £15.50 a week where there are four children.

The gross income levels below which Family Income Supplement is paid are also being raised. The new level for a one child family will be £54 a week and £67.50 where there are four children. Higher levels, however, apply to families where there are more than four children.

Receipt of that benefit automatically entitles the family to free school meals, free prescriptions and other benefits.

Prior predicts more jobless

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

FURTHER GLOOMY forecasts of higher unemployment over the coming year were given to the Commons yesterday by Mr. James Prior, *Employment* Secretary.

However, he still refused to be drawn about reports that a confidential Treasury forecast puts the possible level of jobless at 2m by next year.

His remarks came as he replied to a Labour motion seeking to censure the Government for reducing the budget of the Manpower Services Commission. The motion claimed that that would injure job prospects for the long-term unemployed and for young people while the Government's economic policy was substantially increasing unemployment generally.

But MPs rejected the Labour motion by 304 votes to 244, a Government majority of 60.

Mr. Eric Varley, Labour shadow employment spokesman, condemned the announcement in the recent Budget that finance for special employment measures is to be cut by £170m by concentrating support on areas where unemployment is highest.

Mr. Varley described the *reductions as* "mean-minded and damaging—a miserable rag-bag of cuts." But Mr. Prior dismissed the Opposition motion as further evidence of Labour "hypocrisy."

The Employment Secretary agreed with the opinion once voiced by Mr. Denis Healey, the former Chancellor, that no one could predict future unemployment with accuracy a few years ahead.

Mr. Prior added: "I have said I believe that unemployment is likely to go up over the next year or so. I believe the present state of production and the state of world trade is going to make unemployment very difficult to keep down over the next few years."

The present Government's policy of cutting the growth of the public sector and thus releasing more finance for private manufacturing would be "both painful and difficult."

Mr. Prior said: "The truth of the mattter that we have to face up to is that we are busy importing other people's unemployment." That was the case in car imports, consumer durables and a range of manufactured goods.

"These are goods that we ought to be making for ourselves and which we are simply not making and which we are importing instead. That is a very sorry picture for our country."

In 1960, he said, Britain built 1.35m cars and the French built 1m. By 1977 we were building 1.3m cars and the French 3m.

"That is one of the reasons why our unemployment has risen, our relative prosperity has declined and why we have become a country where we have had high unemployment."

We faced all those difficulties in addition to world economic factors that would make our task much harder. "We are not likely to get out of our difficulties by pursuing the same policies we have pursued over the last five years."

THE FINANCE BILL

Moves towards company inflation accounting

REPOPTS BY MICHAEL LAFFERTY AND DAVID WAINMAN

The Finance Bill's provisions to patch up the existing system of stock appreciation relief fall into three categories:

(a) deferred tax arising from relief given in the first two years of the scheme, that is 1973-74 and 1974-75, is being written off, in line with an undertaking given by the previous Chancellor. Thereafter liabilities in respect of each subsequent year will be "written off" by the Government after they have been outstanding for six years;

(b) the restriction in the old rules limiting stock relief for unincorporated businesses to the increase in stock values exceeding 15 per cent of the business profits is changed so that the latter deduction is reduced to 10 per cent. Professional partnerships like accounting firms often complained that they got little or no benefit *from the* old formula because stock increases are unlikely to exceed 15 per cent of profits;

(c) in future businesses will be able to claim stock relief in part or in whole as they desire, while carrying forward unutilised relief to future years. Until now the relief was a once-for-all calculation each year.

It is significant, however, perienced a dip in stock values, possibly resulting from the industrial unrest last winter. The Revenue view is that such action would simply be too costly.

It is now becoming increasingly clear, however, that dis satisfaction with the present haphazard stock relief system of adjusting traditional historic cost accounts is prevalent in the Inland Revenue. The Revenue is still regarded in the accountancy profession as being, at best, sceptical of the value of systems so far proposed for reflecting inflation in accounts. As far as the Revenue is concerned any new accounting system must be simple to operate, reasonably objective, and usable by the broad base of companies.

that the Government has not responded to industry pressure to give a further measure of relief for businesses which ex-

In view of this it is understandable why Revenue officials were not impressed with the highly complex Morpeth current cost accounting proposals first proposed by the accountancy bodies.

The revised CCA proposals, contained in ED 24, are much simpler, though indications are that the Revenue have yet to be convinced that they could form the basis of a new corporation tax system.

The next step towards the promised consultations between the Revenue, industry, and the accountancy profession could well be a discussion paper setting out Revenue thinking on an inflation accounting system for corporation tax. Talking, at least officially, is not expected to start until autumn.

Trauma for lessors

THE BILL contains the provision withdrawing the 100 per cent first year allowance for *private cars acquired by leasing* companies as already announced by the Chancellor. The Revenue, *in elaboration of that announce*ment, released on Budget Day the text of a draft Finance Bill clause to achieve the Chancel*lor's objective, and this has now* been written into the Bill.

Looked at in the narrow context of a leasing company with a portfolio consisting in the main of private cars, the tax change could be traumatic. The leasing company will, after June 12, 1979, be receiving rentals on leases pre-dating the change. Even if the level of its leasing business does not fall away, it will not be able to reduce its tax liabilities on those rental receipts by the same volume of tax allowances which it was previously enjoying.

This effect of the change is the same for all companies engaged in *leasing private cars.* But for the larger companies whose portfolio consists mainly of industrial plant, with commercial *vehicles and private* cars only being a less significant part of the whole, there should be no worry. Trauma is the correct description, however, of its effect on the small, specialist companies operating only in the private car field.

This change in the availability of first year allowances to leasing companies may be a foretaste of things to come, when corporate taxation is moved on to an "inflation adjusted basis. We can then expect a considerable reduction in the allowances—on the footing that the current 100 per cent rate is in part a method of lowering the tax burden on *profits calculated historically.*

What the leasing companies will want to know, if their *allowances are to be cut, is how much their income—and tax* charge—will be reduced by inflation adjustability. The difficulties of applying any form of inflation accounting to financial institutions is one which has been engaging the attention of many of the best brains in the industry and in the accountancy profession over the past few years.

Agreement has still not been reached, but the pressures are clearly mounting.

UK-U.S. Double Taxation

THE REFERENCES in the Finance Bill to the UK-U.S. Double Tax Treaty are purely of an enabling nature. In other words the provisions will only take effect when the Treaty itself has been approved by affirmative resolution in the House of Commons.

The main part of the new Treaty was agreed as long ago as 1975, but implementation has been held up because of the controversy surrounding a provision which sought to ban the unitary taxation operated by U.S. states such as California, as far as British companies are concerned.

Under the unitary approach tax is levied, not on a multinational's local profits, but according to a proportion of worldwide income.

The proposal in the Treaty as originally drafted—contained in the famous clause 9(4)—to ban unitary tax developed into an argument between state and federal rights in the U.S. with the result that the Treaty failed to gain enough suppor when it went before the Senate Foreign Relations Committee last year.

This led to a re-negotiation in which the unitary tax clause was dropped, despite protests from several major British companies operating in states like Alaska and California.

The revised Treaty has recently been approved by the Senate committee, and is shortly expected to come onto the floor of the House, where further delay is not anticipated —providing the tax Treaty comes up before the SALT Treaty. Only when U.S. approval has been obtained in full will the pact go before the House of Commons.

Despite the fact that the Inland Revenue and Treasury have long lost hope of getting a ban on unitary tax into this or any other U.S. double tax treaty, demands for some action still come from UK companies. Only last month the Hundred Group of senior finance officers in industry launched another attack on unitary tax.

Multinational companies detest the unitary concept not just because it may involve them in vast costs to comply, but also because its attractions could spread to less developed countries to which they would be loathe to disclose confidential data about worldwide operations.

The official UK position seems to be that British multinationals will now have to look elsewhere for relief from unitary tax in American states.

Stronger petro-revenue tax

THE BILL significantly increases the impact of Petroleum Revenue Tax, in line with changes first proposed by Mr. Joel Barnett in August last year. The rate is increased from *45 per cent to 60 per cent, and* the "uplift" reduced from 75 per cent to 35 per cent.

This jargon needs explaining. PRT applies to North Sea (and mainland) oilfields, and to those gas fields which were not in production at the time of its introduction in 1975. Unlike corporation tax, it operates on a "field by field" basis.

Another feature of the tax, equally designed to collect tax and to do so without undue delay, is that it is charged on "income" arrived at by a complicated formula written into the original legislation—the profits shown in the companies' accounts are irrelevant.

No allowance is given for interest costs, but in their place what might broadly be characterised as "capital" costs of bringing fields into production have in the past been uplifted by 75 per cent. For expenditure not already contracted for before January 1, 1979, the new lower percentage applies. And the bill recognises that there may be considerable difficulties in evidencing just what expenditure falls before and after that cut-off date. Sixty-six and two-thirds per cent is to be the uplift percentage for "alterations or additions" after that date to contracts made before it.

As a sweetener for the oil *companies, which had* strenuously argued that there had been an undertaking in 1975 that PRT would not be increased or changed, the Revenue have removed two of the anomalies in the original legislation. The valuation point for oil has been shifted from the point of landing to that at which it could realistically be seen as saleable, and an over stringent anti-avoidance provision dealing with inter-group charges has been relaxed.

Housing interest extension

MR. HEALEY'S April finance bill contained the clause required each year to continue, or to alter, the £25,000 figure upon which interest relief is available for house purchase. Sir Geoffrey Howe has left it standing at that same figure, but he has allowed a further two years, up to April 1982, for the continued deductibility of interest on loans which were in existence when the law was changed in 1974. There are two *categories of people who benefit* from this extension. Those who have housing loans over the £25,000 level can put off for two more years the necessary reorganisation of their affairs.

The other beneficiaries are those with pre-1974 loans for "unapproved" purposes. House loans, loans for investment in their businesses by working proprietors, and some other very limited categories were allowed in the 1974 legislation. But there is a small number of individuals whose day of reckoning, when and if it comes, will be painful and difficult. They have invested their borrowings in businesses, but have failed to meet the definition laid down in the Act of working proprietors. Once again, Sir Geoffrey's *silence may presage some* further relaxation of the existing rules — to be brought in under the general heading of assistance to small businesses.

A time to review capital taxes

THE CHANCELLOR announced in his Budget statement that he was putting off for two years, to 1982, the first "periodic" charge to capital transfer tax on discretionary trusts. These were much used at one time by the wealthy as a way of allowing income to accumulate without its being taxed on any one member of the family at high marginal rates. But these trusts have become progressively less attractive fiscally as their income was brought into additional tax in 1973, and as both distributions from them and their funds themselves were brought into increasingly onerous burdens of Capital Transfer Tax during a six year period originally designed to run to 1980.

In giving trusts a further two years' respite from this last impost, the Chancellor may be regarded as doing no more than giving himself time to devise and bring forward some more radical changes to capital transfer tax and to capital taxation as a whole.

The Conservatives have indicated on numerous occasions their desire to index Capital Gains Tax. When a more modest proposal for relieving small gains was introduced last year, they viewed this as no more than a stop-gap, and an inadequate one at that for the relief given to trusts. Inter-party discussions were promised, and have taken place. The Revenue are believed to have been ready with some technical amendments—but the Bill has appeared without them.

In his Budget statement, the Chancellor used the word "oppressive" in relation to both capital gains and capital transfer taxes. But his proposals for ameliorating them will not appear until he has completed the thorough study he then promised.

FINANCIAL TIMES SURVEY

Friday June 22 1979

Ireland

Although the outlook is clouded, Ireland has acquired new-found wealth and status through its membership of the Common Market. Despite internal problems of job creation, wage cost inflation and energy shortages, its commitment to the Community is unswerving.

Future firmly pledged with Europe

By Stewart Dalby, Dublin Correspondent

MICALLY, IRELAND nds at a difficult turning As a result of joining opean Monetary System, consequent break with , the country has for t time in its history to he job of financing its vernment and balance of ts deficit; and the levels hese figures had been to reach during the of free access to the markets at London rates now pose pressing s for the Finance and the monetary ies. Politically, how- eland's attitudes are still ned by the remarkable ic performance the c achieved in earlier id the resulting growth nal self-confidence.

ians from all parties a vigorous European ent election campaign, n that it was conducted midst of a postal strike vere petrol shortage the at 63 per cent was bly high.

Ireland's decision last er to enter the Euro- onetary System without — despite severe doubts Euro-campaign signals e ruling Fianna Fail ent feels the country's lies in aligning itself th a number of Euro- untries and distancing m Britain.

Ireland will never— never could—com- sever its links with its e overlord, it wants to to reduce its trading nce on Britain in parti- he idea is to reach a ere it is relatively free n's economic cycles.

month Ireland gets the cy of the European of Ministers. The Irish ent has already made that it wants to leave nt by way of new policy s which will, it is erve to make a contrast its own keen support EEC and the hesitant French presidency which preceded it. But it has still to spell out what these initiatives will be.

The Government has before it —in Mr. Garrett Fitzgerald, now leader of the main opposition party, Fine Gael—an example of just what can be done with the presidency. Mr. Fitzgerald was Foreign Minister in the coalition Government which was defeated *in June 1977, and during Ire*land's previous tenure of the presidency became an internationally-known figure. Cyprus was one international problem in which Mr. Fitzgerald involved himself. He showed that a small country can usefully engage in international diplomacy if the forum is right.

Mr. Jack Lynch, today's Prime Minister, and Mr. Michael O'Kennedy, his Foreign Minister, *will want to be seen to be* impressing on President Giscard d'Estaing of France and German Chancellor Helmut Schmidt, when they visit Dublin for a summit visit later in the year, that Ireland wants, within the limits of its size and comparative economic weakness, to be considered a full and independent member of the Community and given equal say in its councils.

It wants to continue to shed the image that still clings—despite well over 50 years of independence—that it is somehow an offshore economic satellite of Britain.

It is membership of Europe and the prosperity it has indirectly generated which more than anything have meant that Ireland has been able to deal more even-handedly with British Governments. The political self-confidence which its economic well-being has engendered has enabled the Irish more and more to throw off the obsessive sense of inferiority and hostility towards the country which ruled them in the fullest colonial sense for the better part of four centuries.

This new-found sense of identity—which did not exist even a decade ago—is particularly relevant to the intractable problem of Northern Ireland where after a decade of unrest any solution, *even in the limited sense of an end to the partisan* violence, seems as remote as ever.

Fianna Fail is the party of the late Eamon De Valera, probably the acutest political mind independent Ireland has seen and unquestionably the most powerful political figure in the history of the Republic. His legacy to his party is that there should be a united Ireland. Reunification of the 26 counties of the Republic with the six counties of Northern Ireland is therefore an article of faith for any Fianna Fail leader.

Mr. Lynch, however, while paying the necessary lip service *to this ideal, has managed to* convey that he does not in any way condone the activities of the IRA and has begun to suggest interim solutions which while falling well short of reunification would bring the two parts of the island closer together.

The Government's pronouncements on the North have not been as explicit as Mr. Fitzgerald's "confederal" solution. This postulates the sovereign *governments in each part of the* island and progressively closer links in other areas. Mr. Lynch's ideas have yet to be fully revealed but he has increasingly intimated that the Republic's greater prosperity (and with per capita income at £2,100 it has now caught up with the North) could be used as the basis for new ties between the two parts.

Now that the Republic has moved away from the idea that it is the impoverished part of Ireland, it has more and more indicated that there are areas of mutual interest which could be explored. An all-Ireland Green Pound has been suggested. All-Ireland courts have been mooted and there have been hints of closer co-operation and cross-border security and joint drainage schemes. Tourism is another area where joint ventures are possible, as is power supply.

Ultimately Mr. Lynch would *like to see a Council of Ireland.* But as a precursorto that he envisages quadrapartite talks between Ireland, Britain and the two traditional religious groupings of Roman Catholic South and Protestant North.

These schemes conveniently gloss over the fact—as many observers see it — that the Protestants in the North are not divided from the 500.000 Roman Catholics there and the *Republic by economics alone.* With a modicum of goodwill on both sides the Republic's improved economic standing could provide the basis for dismantling some of the barriers between the two parts of divided Ireland.

A key point perhaps is that Mr. Lynch now feels able to push his case with the British Government and can more forcefully ask to be consulted. Under the British Labour Governments of the past few years in particular Ireland has often felt ignored and treated as if it were irrelevant to the problems of Northern Ireland. Relations with Mr. Roy Mason, the last Secretary of State for Northern Ireland, were particularly bad.

The Irish Government was glad to see a British Government with a clear majority win the election last May 3. Increasingly it will try to lean *on Mrs. Thatcher and her new* Secretary of State, Mr. Humphrey Atkins, to launch a political initiative in Ulster—and consult Mr. Lynch and his colleagues in the process.

Ireland's *new-found* political confidence rests very much, however, on the buoyant economy of the past couple of years, and it is here that doubts are beginning to appear. In 1978 Ireland, with a growth *rate in Gross National Product* of something over 6 per cent (Government figures differ from independent forecasting concerns), was the fastest growing economy in the EEC. Inflation came down to 7.6 per cent and exports, showing an increase of nearly 20 per cent were again the fastest growing in the Community.

This year the Government is still looking for GNP growth of more than 5 per cent even though it has conceded that it will probably not manage the 6 per cent plus that was its original aim. It accepts too that inflation will probably not be running at the hoped-for level of 5per cent by the end of the year. It still maintains, however, that the rate will come down from the current 12 to 15 per cent at an annualised rate.

The economic overdrive, if that is not too strong a word, stems primarily from agriculture. Because Ireland is predominantly a beef and dairy producer getting good prices under the Common Agricultural Policy, farm incomes have soared. Mr. George Colley in his budget speech last February estimated that they had increased by 140 per cent since Ireland joined the Community in 1973.

This is probably made up by two-thirds price increases and *the rest in volume increases.*

While agriculture has flourished successive governments have purposefully tried to develop industries by giving grants and other incentives as well as tax holidays. This has meant that over 600 foreign companies have committed more than £1bn in investment to Ireland.

Using these two pillars as a basis the Fianna Fail Government when it was returned to power in 1977 decided to prime the pump even further. It introduced tax cuts, abolished household rates and allowed a loose rein on credit. While this meant that real incomes increased by 3 per cent in 1978 apart from anything else, the primary goal has been to eliminate unemployment. This means finding 100,000 new jobs by the early 1980s.

This strategy has now received a sharp setback. It involved a borrowing requirement amounting to 13 per cent of national income. Since the break with sterling, interest rates in Dublin have tended to rise quite sharply above those in London, and the Government has had to commit itself to a programme of cutting the borrowing requirement sharply. There are no readily available resources for pump-priming, although the authorities may go to the Euromarket to provide some substitute for the external funds which used to be available from London.

This is equally necessary from a balance of payments point of view. Farm income remains buoyant—though it is falling in real terms as a result of the *virtual freeze of EEC prices*—and the rapidly growing manufacturing sector has done much to offset rising wages through its striking productivity performance.

Ireland has few sources of *indigenous fuel, however.* Some 75 per cent of its energy needs are imported in the form of oil. The world shortage and higher prices could do considerable damage to the country's balance of payments on the import side. Also because of the petrol shortage tourism—an important foreign exchange earner accounting for over £300m a year — *has* been taking a hammering this year. The four-month postal strike has also played its part here.

On the export side the danger is the inflationary demands will threaten export competitiveness. With a population of only 3m Ireland's growth now has to be export-led. The Irish Congress of Trades Union (ICTU) recently rejected the national wage understanding. This allowed increases of up to 14.5 per cent over a 15-month period. The increase would have comprised both cost of living increases and productivity rises.

The thumbs-down which the *understanding received means* that for the first time this decade Ireland has not had a national wage accord. The 14.5 per cent rises would probably have meant inflationary pressure, since productivity as defined as output per man has been running at about 6 per cent in the industrial sector. If some sectors get the 25 per cent increases they are asking for, then this could easily erode export competitiveness if combined with the effects of production lost through strikes.

CONTINUED ON NEXT PAGE

BASIC STATISTICS

Area	26,600 sq. miles 69,893 sq. km.
Population	3.19m
GNP (1977)	£5.352bn (Irish)
Per capita	£1,677
Trade (1978)	
Imports	£2.942bn (Irish)
Exports	£3.696bn (Irish)
Imports from UK	£2.045bn (stlg.)
Exports to UK	£1.060bn. (stlg.)
Currency Irish	£1.0465=£1 stlg.

Need for wages pact

THE LEGENDARY luck of the Irish seems to be running out. That is the view at any rate now circulating in Dublin. For there is a theory, that seems widely shared among business leaders, that Ireland has lately been the victim of atrocious bad luck.

The theory is that at the end of last year there was a magic moment, lasting perhaps three weeks or a month, during which Ireland's trades unions were set to strike a bargain on pay restraint and productivity targets with employers and the Fianna Fail Government. But such a deal was based on the appeal for national co-operation that had been prompted by *Ireland's decision to join the* European Monetary System (EMS), and evaporated when EMS was not introduced in January 1979.

The argument runs that the delaying of EMS until March, caused by an unseemly Franco-German squabble over related agricultural Monetary Compensation Amounts (MCAS), somehow took the steam out of Irish enthusiasm for self-discipline. True or not, the upshot has been that Ireland six months later is not only in the throes of damaging labour unrest but has, as a result of opting for EMS membership despite the UKs decision to stay outside, had to contend with the breaking of the traditional parity link *between the Punt (Irish pound)* and sterling.

Position

Ireland is thus in much the same position as it has been in for the past three years. That means — depending on the point of view — it is still at or near the top of the EEC league for annual growth of Gross National Product (GNP), or it is the European Community's poorest member, with little progress made in tacking its very serious structural economic problems.

Whether or not the Republic is set on a course that will establish it as a small but wealthy EEC State seems increasingly a matter of political faith. Prime Minister, Mr. Jack Lynch's Fianna Fail Government launched a programme at the beginning of this year that it claims will, inter alia, settle the country's stubborn and debilitating unemployment difficulties by 1983.

Fine Gael, the main opposition party led by Dr. Garret Fitzgerald, insists that the malaise hindering real economic progress is not being properly diagnosed, let alone cured.

Caught in the middle are Ireland's businessmen, and in so far as a general opinion can be said to exist they seem to feel that things are not going nearly as well as had been hoped when in June 1977 Fianna Fail routed the coalition Fine Gael-Labour Government after it had had only one term *in office*. Also occupying the middle ground are the Republic's influential independent economic analysts, most of whom are currently at odds with the Government over projections for economic performance during 1979.

The Economic and Social Research Institute (ESRI), for instance, recently predicted that GNP growth for this year would be just half the Government's confident forecast of 6½ per cent. ESRI put the growth *rate at 3½ per cent, and coupled* that wtih a prediction of an 11½ per cent rise in prices by the *end of 1979. Other analysts have* put GNP growth at around 4 per cent.

The Government's view that *inflation can be brought down* to 5 per cent by the end of the year is also being generally contested. Mr. Martin O'Donoghue, the Economic Planning Minister, has said that the annualised inflation rate of the last quarter of 1979 should be 5 per cent: independent projections see inflation this year rising to a 10 per cent rate from the 7.9 per cent rate attained last year.

The key to Ireland's economic fortunes is not membership of EMS, or even of the Common Market. Nor is it the management of the punt with all the important implications that that has suddenly presented. It is, according to a near unanimity of observers, the issue of wage restraint that will determine future economic development.

Last year pay increases in Ireland averaged 16 per cent, and although GNP grew at the targetted 6½ per cent the Government has blamed that rapid increase in wages for its falling 15 per cent below its vital job creation level of 20,000 new jobs, and has warned that infla*tion would have been a full per*centage point lower had wages risen only moderately.

It is fair to say that, like its predecessor, the present Government has so far failed to reach the close and co-operative relationship with the trades unions that might guarantee industrial peace. If anything, the labour climate has deteriorated since Fianna Fail returned to power, for the extremely disruptive postal and telephone workers' *strike which* has dogged the Republic since early this year is a carbon copy of the same Post Office dispute that marred the first part of 1978.

Hardened

The trades unions' reluctance to accept wage restraint is sometimes attributed to an inherently negative attitude, which in turn is blamed on their British roots. A more sympathetic view is that their attitude has been hardened by a deep-seated dissatisfaction over the uneven tax burden in Ireland, where PAYE workers contribute about 85 per cent of all income tax while farmers and the self-employed pay very little.

The upshot is that in an effort to head off pay claims that would boost industrial wages by a damaging 15 per cent for 1979, the Lynch Governmnt attempted to negotiate a "national understanding for economic and social development." Even before the unions rejected it last May it was clearly more broadly based but less solidly founded than a standard national wage agreement would have been.

Industry leaders had in any case feared that its aim of limiting pay increases to 11 per cent for the 12-month ending in November next would be unfulfilled. And even if the slippage is not as serious as many chief executives seem to fear, the terms of the April pact are less rigorous than those the Government was insisting on back in January. At that time, when it had published an ambitious White Paper outlining its economic strategy for 1979-81, Dr. O'Donoghue warned: "Double digit pay increases are simply not on."

If containing inflation and industrial costs is crucial to *Ireland's economic future, so is* it to the Fianna Fail government's political future as well. For political observers in Dublin are now calculating that some sort of pact on pay and jobs is likely to be the *last major policy act that Mr.* Lynch's Government can take that will come to fruition in time for the mid-1981 General Election.

Interestingly enough, that seems to hold true for the Government's overall management of the economy. It has now implemented all of its strategic decisions and to a large extent must sit back and hope that they work. It has, it believes, primed the pump correctly, and must now rely on private *sector investment to take over.*

Last year investment demand expanded by an extremely brisk 15 per cent, and the same pattern is expected by the Government for 1979. Analysts such as ESRI, however, see *investment growing rather less at* 11½ per cent this year and are similarly less optimistic in forecasting on the vital export sector.

The Government has said that it expects the major 14 per cent *rise in the volume of Irish* exports during 1978 to come near that, with an annual rate of 12 per cent increase. But ESRI puts exports of goods and services at an increase of nearer half last year's trend, rising by 7½ per cent over 1978.

It could be said that the Government's role is therefore one of fine tuning of important areas of the economy over the coming year. It has committed itself to reducing Ireland's very high level of Government spending while boosting job creation efforts to the point that by 1983 it will virtually have eliminated the Republic's traditionally high unemployment levels.

To do that it must meet its self-imposed target of bringing the State's borrowing requirement down from last year's level of 13 per cent of GNP to 10½ per cent this year and 8 per cent in 1980. On jobs, it faces the daunting task of reducing unemployment by 25,000 annually, which is roughly a threefold improvement on its present track record.

Ireland's economic difficulties are real enough, but they are *best seen in the context of* a country that has already made giant strides in the comparatively recent past. It is no longer the "donkey economy" of the 1950s and 1960s—or even the offshore dependency of Britain it was during the 1960s and early 1970s. At the last count, providing agricultural produce is discounted as being an intra-EEC exchange, only 23 per cent of Ireland's trade was with the UK.

Yet nationalism, with all the snags thrown up by the Northern Ireland problem, remains a factor that tends to distort Ireland's appreciation of reality. The Irish had always assumed of late that if the link with sterling were broken the Irish *punt would float upwards* against the pound. That it did not, and hovers several points below it, is something they can be profoundly grateful for, since the analysts say its appreciation would otherwise have reduced this year's growth rate to only 2½ per cent.

Giles Merritt

Foreign affairs get growing attention

FOREIGN affairs have become an increasing preoccupation in Ireland in recent years. Membership of the EEC lies at the heart of it, of course, even if relations with the U.S. on the touchy subject of Northern Ireland are also an important element in Irish diplomacy.

Measured by the yardstick of manpower invested in Ireland's Department of Foreign Affairs, the last decade has seen a *remarkable doubling of over*seas representation. The better guide, though, is the less readily calculable one of the Republic's involvement in external affairs.

When Ireland joined the EEC in January 1973 it was to a *large extent on Britain's coat*tails. Although the Irish were genuinely pleased to find themselves in a common market which changed their traditional relationship with the UK, there was little question that the Dublin Government had had no choice but to follow its major trading partner into the EEC.

In the ensuing six years Ireland has established itself as a fully-fledged EEC partner that is not only more Community-minded than Britain but is also rapidly growing out of its poor relation status vis-à-vis the UK. Where once Dublin's chief concern inside the Community was the benefits it could obtain from the Common Agricultural Policy (CAP), its objectives now span a wide range of EEC policies. The watershed came last December, when Dublin opted to join the "supersnake" of the European Monetary System (EMS) in the knowledge that to do so probably entailed breaking the long-established link between the Irish punt (pound) and sterling.

The commercial ties binding Ireland to Britain are still strong. Half of Ireland's exports go to the UK, while its imports are equally dominated by British products. But the Republic's economic management has become steadily more independent of British influence and considerations, with Dublin viewing its options in an EEC context rather than from the limited standpoint of a UK satellite.

The change in Ireland's position is about to be strongly underlined. On July 1 next the Irish Republic takes over from France the Presidency of the EEC Council of Ministers, and for the second half of this year will not only be taking a major hand in shaping the political objectives of the Nine but will also be disclosing some of its own foreign policy objectives.

When Ireland first presided over the Council of Ministers during the first six months of *1975*, the *Dublin* Government won the admiration of other EEC Governments for its efficient and enthusiastic performance. Dr. Garret Fitzgerald, who was largely responsible for that success as Foreign *Minister in the* then Fine Gael-Labour coalition Government, subsequently explained: "Unless we can make a visible contribution, necessarily of a non-monetary kind, and gain goodwill from a positive approach, we are in danger at some time of somebody asking 'Why should we contribute so massively to the Irish economy? What do we get in return?'"

Dramatic

Ireland still benefits financially from the Common Market to a quite dramatic extent. It has been estimated that since joining the EEC the Republic has received around £1bn from Community coffers, or about ten times its contributions. But the country remains the poorest of the Nine, with real incomes at half the EEC average, and the Irish are no longer so self-conscious of their beneficiary status.

A direct result of Ireland's more European attitudes is that in its second Council Presidency it will be faced with issues that are of major importance to the Republic. Uppermost in the Dublin Government's mind is the knowledge that before the end of the year the UK and Italy will be actively seeking talks on a fundamental reform of the CAP, which in its present form has been not merely good to Irish farmers but has been a Godsend to the Republic's economy. Without it Ireland's position at the head of the EEC's GNP growth league table for the past three years would have been impossible.

Ireland's ability to sustain its present "dash for growth" and beat its serious unemployment handicap is in any case problematic. Without the boost of the CAP it risks becoming impossible. Yet the tensions arising from an agricultural policy that the Brussels Commission now agrees is in danger of sinking under its own weight are more important in EEC terms than tiny Ireland's vested interests.

The betting among Irish diplomats, at any rate, is that Mr. Michael O'Kennedy, the Foreign Affairs Minister, will endeavour to delay any reopening of the CAP debate until after Ireland's Presidency ends on December 31. It is a moot point, for although Dublin might prefer not to be placed in the invidious position of holding the Council Presidency when its own interests are threatened, it might be even less acceptable to have the matter broached when it is succeeded in the chair by Italy.

A closely connected topic that will figure high on the EEC's Ministerial agenda this year is the question of economic convergence. Ireland's position at the bottom of the EEC wealth league and at the top of the *unemployment table will doubt*less encourage the Fianna Fail Government to give the discussions a determined push. Part and parcel of the convergence issue is the question of the Community's enlargement to 12 members. Greece has just signed the accession agreement and will be joining in 1981, while substantive talks are due to begin this autumn with both Spain and Portugal to hammer out the terms of their membership.

It has been suggested that Ireland will only be presiding over the start of negotiation But a more realistic assessme would be that the Lyn Government will wish to mo fast to develop talks on t financing of the enlarged Co munity. If *Dublin fails* establish negotiations on su able funding to take account the poorer candidate countr it may find that it will end seeing the agricultural a regional funds spread mo thinly. In other words, Community cake would be into smaller pieces at Irelan expense.

Ireland's other preoccupatio include energy and the EM The latter half of 1979 is d to produce the defining of obj tives for 1990 by EEC Ener Ministers, and the Republi present rude awakening to vulnerable position over supplies will certainly mean greater emphasis on a comm energy policy than has been t case in the past. That, and t possibility that the Thatch Government may bring Brita into EMS after the Septemb review of the currency syste may well dominate the Dubl summit when EEC heads government meet in the Iri capital in December.

It would be wrong, howeve to see Ireland's foreign relatio as being exclusively bound u with the European Communit The U.S. connection has of la become increasingly importa to Mr. Jack Lynch's Gover ment, for American opinion the high card that Dublin hol in its efforts to persuade Brita to alter its policies on Norther Ireland. A settlement remai one of Mr. Lynch's person ambitions, and the hope is th the Carter Administratio prompted by senior figures the Democratic Party hierarch will convince the UK that i definite direct rule of th *province is not the answer.*

Giles Merrit

Pledged

CONTINUED FROM PREVIOUS PAGE

In the first three months of this year the country had lost more man-days than in the whole of 1978, although more than three-quarters of the man-days lost were attributable to the postal strike. Last year one economic institute estimated that the 506,000 man-days were lost through strikes. The workforce in Ireland is about 1.1m. This combination of production loses and wage inflation could again threaten the balance of payments.

Predicting

Some leading economists are predicting a balance of payments deficit on current account this year of at least £400m, even though exports have been slightly protected by the increase in sterling against the Irish pound. Some 47 per cent of exports still go to Britain. Imports are not thought to have risen too dramatically because a larger portion is made up of capital goods for which the price increases involved in the de facto devaluation against sterling are probably marginal.

The *fact is that despite* the break with sterling, which has created problems of its own, Ireland *still* faces some of the most difficult problems facing the UK—and without the benefit of North Sea oil. Its commitment to a fixed exchange rate within the EMS is effectively as strong as when it was linked with sterling, and in the long run the EMS will set a more demanding standard. But attitudes inside the economy, both in excessive borrowing and excessive wage claims, are the last curse left on Ireland by the British connection.

The situation calls for deflation and a sharp change of attitudes; the Government can only hope that Ireland's new national pride will make these changes easier to achieve than they look at the moment. The immediate future will be a very testing period indeed.

Higher costs test industry

BSERVER of the Irish — admittedly writing dur-ad week — wondered if ublic had not discovered rious recipe for economic

ng back nostalgically to d when the telephones to work, when one could l order or an invoice, ages rose by moderate s and oil prices were low able, he recalled that rates averaged about 3 per annum. In the past rs, when none of these conditions has applied, rates have been substan-gher — up to 7 per cent point and estimated at 5½ and 6 per cent last

ms unlikely that there connection between the Irish version of the spirit conquering y. But the Irish econo-cess of recent years—in dustry played a key role ave lulled people into a f security so that the s being sounded—by alists, economists, and ns—are dismissed as leading.

king

point was made by a conomist from the Cen-k in a speech reprinted ank's annual report. Mr. cCarthy said: "It is per-e of the dilemmas of n macroeconomic policy e enough optimism and y to sustain business ent without creating ex-ns of wage settlements re unattainable. In talk- the economy one may only in talking up

was evidence of just attitude at the recent conference of the ngress of Trade Unions, threw out a proposed al understanding" on l taxation. There were ferences from the floor rofits and success of Irish r and their ability to pay free collective bargain-ation.

he understanding would by most employers as ximum that could be this year and certainly Government as the limit nances could stand, both and tax concessions. It up to 15 per cent months—with part of rease index-linked.

ng aside the possible for its rejection, the iences for Irish industry rdly be good. Average hourly earnings in Ireland rose seven per cent more than those in Britain during 1977. Unit labour costs went up by more than 11 per cent. Figures for *the first half of* 1978 suggest a lower rate of increase but still of the order of seven per cent.

Even under the terms of the national understanding, unit costs would probably have risen faster than those of most of Ireland's competitors. In the absence of renegotiation—which seems unlikely — industrialists will be unable to project wage costs and may eventually face settlements even higher than those proposed in the pay pact.

The ability of Irish industry to overcome rising costs may be severely tested this year. Industrial growth was 9 per cent during 1978, just a point below the original estimates of the Confederation of Irish Industry (CII). The Confederation believes, however, the relatively low growth in employment—3 per cent—was partly due to high wage costs forcing companies to concentrate on productivity at the expense of employment.

Things may be even harder this year. For a start, overall growth is projected at around 4 per cent after the boom of 1978. Although the CII suggests that — given the right conditions — output could increase by another 9 per cent, the conditions are unlikely to be right.

Ireland's membership of the European Monetary System (EMS) means that the safety valve of currency devaluation will not be available. Irish exporters took considerable advantage of the fall in sterling in 1976, but, with the Irish pound now linked to the hard European currencies, that option will no longer apply.

The unexpected strength of sterling—unexpected at least when Ireland joined EMS—means some relief because 48 per cent of two-way trade is still with the UK. A devalued sterling would have made the *competitive outlook* bleak indeed.

Other complaints of industry have a familiar ring. It is impossible to assess the damage caused by the postal strike—now in its fourth month—but it seems certain to have some repercussions on orders and profitability.

Worst sufferer is industry in the west, where manual telephone exchanges are strike-bound. But the effects are probably not just as severe as the telecommunications strike of 1978.

The threat of a ban on sterling transactions by bank officials was averted but the main worry is the effect of this rash of service strikes on potential foreign investors. There is no concrete sign of this so far: the Industrial Development Authority (IDA) hopes once again to exceed its target of 20,000 new job approvals for the year.

The IDA scored a particular coup by snatching the Texas microprocessor firm of Mostek from under the noses of the Scottish Development Agency. Ireland now has a significant stake in the production of the "miracle chips" and the hope is that this will boost the even more important business of making use of them in industry.

For businesses already in the country, concern has been growing over whether the infrastructure can develop as quickly as the economy. This year's budget increased allocations for spending on roads by about 20 per cent and telecommunications by *almost as much.*

A £100m road-development programme for the next decade has been announced but the CII fears still more may have to be spent to allow development on the scale envisaged in government targets.

Many may take comfort, however, from the record and believe that Irish industry can keep up the good work. Exports rose in 1978 by 11.5 per cent in volume. This is expected to be maintained this year, despite the general downturn, because a sluggish UK market will be offset by slightly higher growth in world trade and an increase in the *number of new companies* starting production in the Republic.

Textiles had a particularly good year, with a volume increase in production of more than 15 per cent on 1977. The clothing and footwear industry continues to feel the draught *of foreign competition* and the employment subsidy to the industry was continued in the budget.

The old staples — food, drink and tobacco — maintained healthy growth and it was a good year, at least in the first half, for the construction industry. There may be more difficulties here in 1979, although one of the biggest current construction jobs — Alcan's aluminium smelter on Shannonside — has already generated contracts worth more than £20m.

All in all, there is evidence *for the view generally held in* Ireland that the country has made a sustained recovery from the 1973 recession. The tantalising question of what might have been, particularly with more sensible pay policies, remains. Unless, of course, there really is something in the very Irish theories of that *puzzled observer.*

By a Correspondent

The £25m cotton mill being built by Fieldcrest Mills of North Carolina, U.S., near Kilkenny for the production of towels for sale throughout Europe. This project, the American company's first building investment abroad, is a joint venture with the Bank of Ireland and Carrolls Industries of Dundalk. Design and project management: Stephenson Associates, Dublin

Mounting threat from the oil shortage

S perhaps an omen. Last ber, during the coldest reland has had for a de-ouseholders were amazed large waxy lumps float-but in the central heating *blocking the systems.* It while for the reason to the central heating oil ezing.

anspired that the specifi- for oil sold in Ireland t anticipate temperatures —6°C. It was an unfor-affair and the oil com-came in for a good deal ise. Nobody *then antici-* that within a few months ers would be wondering r they would get any oil next winter, *frozen* or ise.

nd has had a sharper ex-ce than most countries ear of the energy con-s all will face sooner or The motorist in the petrol the farmer with fields own and no diesel in the ; the householder with a radiator: all have had of opportunity to ponder aning of an energy short-

e is still considerable versy over the reasons reland felt the effects of eduction in world oil so much more severely ts EEC partners. There example, the question of bearing, if any, the poor ns between the oil com- and the Minister for ry, Commerce and y, Desmond O'Malley, had l supply.

O'Malley does not care for l companies, particularly nternational level, and no secret of it. His pre-or in office described as "barracuda." The atti- of the two may be ed by the *consistent* of Irish oil companies to a loss and thus avoid the to pay taxes. Mr. ley's belief that the profits cruing somewhere else—mably where tax rates are attractive—led him to hard against applications from the companies for price increases.

This policy finally produced a situation where Ireland was paying the lowest wholesale price for oil in the EEC. As the *queues lengthened* and panic began to mount Mr. O'Malley's first response was to look for hidden stocks which were being held back in anticipation of an increase.

Nothing significant was found, however, and the truth began to sink home that no extra supplies were likely at the price Ireland was paying. So Mr. O'Malley bowed to the inevitable and the price of most grades of oil went up by 11p a gallon, bringing petrol at the pumps to £1.10p, with more increases expected.

But price was not the sole reason for Ireland's difficulties and the other has wide implications for all of Europe. The fact is that Ireland is a victim of its own considerable economic success in recent years.

This year, for the third year running, the Republic is expected to top the growth rate table for OECD countries. Growth in those years has not fallen below six per cent. The unpalatable truth is that this year the extra energy demand created by that growth could not be fully met.

An additional difficulty is that the relatively undeveloped nature of the economy—combined, it must be said, with inefficient conservation—means that for every one point rise in growth, the country *gulps* twice as much extra energy as most other EEC States.

Priority

Growth will not be affected as yet because industry will have *priority,* but the non-essential user — which includes the motorist and the householder—will have to bear the brunt of the shortfall. But is the Irish experience a warning of what might hapen if there were a general return to high growth rates in the West?

Meanwhile the search for extra supplies *seems likely* to fall on the new State oil company, which the Government hurriedly set up in advance of legislation for a national oil corporation. The main task of the company and its successor will be direct negotiations with producer countries for supplies.

Mr. O'Malley believes he can use the goodwill towards Ireland, particularly in the Third World, to bypass the oil companies and secure direct Government - to - Government deals. Likely targets are Norway, Mexico and Venezuela, but O'Malley admits Ireland has little expertise in this kind of dealing.

This year's events will also add urgency to attempts to change the country's energy "mix" from its present 75 per cent dependance on imported oil. One coal-fired station is to be built on the west coast but the accident at the Harrisburg nuclear reactor in America is certain to intensify opposition to the plan to build the country's first nuclear plant in the south-east.

The Government has already recognised the depth of the opposition by promising a public inquiry into the proposal —a rare event. After Harrisburg, many people are asking why not a second coal-fired station or, as the previous Minister, Justin Keating suggested, direct sale and transmission of surplus electricity from Britain or mainland Europe.

There is less talk of an offshore oil find after the disappointing drilling results of 1978 but the Government has far from given up hope. The hopes that are left are concentrated increasingly on the Porcupine basin off the west coast and the possibilities of a gas find in Dublin Bay.

Last year's drilling season ended on a more exciting note than seemed likely at one time, because of the oil flow reported by Phillips Petroleum from its well 35/8-1.

The flow was small—730 barrels per day—but the oil was of very high quality, in contrast to other oil shows around the coast. In addition it was the first oil flow from the Porcupine basin.

Thicken

It will be some time before anyone knows whether there are commercial quantities of oil off the west coast. But there is added optimism because of a belief that the oil-bearing sands thicken towards the coast and shallower waters. Phillips will want to carry out a major seismic study before drilling any more wells.

Ironically, the possibility of oil off the west coast would give Ireland a long-term vested interest in high oil prices, whatever the short-term difficulties. The great water depths and fearsome Atlantic weather mean such a find would be commercial only in a context of a severe oil shortage.

In general drilling activity will be down this year on 1978, which saw Irish exploration reach a peak. The Government has been offering new options and re-negotiation of licences in return for drilling commitments, but only real results will bring the rigs back in the 1978 numbers.

Seven or eight wells will probably be drilled this year—in the Porcupine, off the south coast and in the Kish basin in Dublin Bay. Amoco will drill this last in the hope of encountering *natural gas. The Amoco* consortium was awarded blocks off the west coast in return for a commitment to drill in this key area of shallow water close to the populous east coast.

None of this, however, will prevent the country's dependence on uncertain oil supplies continuing well into the 1980s. Reports of anxious citizens filling their garages and outhouses with bags of coal—and increased sales of bicycles—suggest it will be a long and jittery winter.

By a Correspondent

Taxmen eye rising farm incomes

LAST YEAR continued the series of bumper years that Irish farmers have enjoyed since EEC membership in 1973. Income arising in agriculture was up 18 per cent on the previous year, combining a volume increase of 6½ per cent and a price increase of 12 per cent, well ahead of the inflation rate of 8 per cent, and ahead also of the average increase in non-agricultural wages and salaries.

Milk was the star performer, with a 12 per cent increase in the volume of production alone. Creamery cow numbers have been increasing steadily in recent years, but the main reason for increased production has been the remarkable increase in yields per cow which has been stimulated by a greatly improved milk/feed price ratio. Yield per cow reached 650 gallons last year, compared to 470 gallons in pre-EEC years. The additional 40 gallons per year means an annual increase in production of 7 per cent from this source alone.

A comparison of gross margins attainable in alternative enterprises emphasises the economic attractions of milk production. Though average yields are low, they are achieved from a low-cost, grass-based production system which results in high profits to efficient producers. In 1978 dairying yielded a gross margin of £181 per acre compared to £104 for feed barley and £69 for all cattle systems. The introduction of the co-responsibility levy has reduced the profitability of dairying somewhat, but is much less feared by Irish producers than talk of a quota system favoured by some Continental countries.

Cereals

There has been a dramatic recovery in cereals acreage and the total area is expected to exceed 1m acres in 1979 for the first time in 20 years. This has been accompanied by the growing popularity of winter cereals production. Feeding barley is by far the most popular crop, encouraged by an agreement each year between the merchants and the Irish Farmers' Association on a guaranteed minimum price together with an escalation clause which can be triggered if the market price at harvest time is higher than this minimum. This year the guaranteed minimum price for barley of 20 per cent moisture is £87 per tonne, compared with £85 per tonne last year.

The demand for compound feeds has soared this year with the harsh winter and the late spring but two issues could cause problems in the future. One is the continuation of cross-border smuggling, given the attractiveness of the Irish price to Northern growers. The second is the growing use of cheaper fillers which displaces home-grown barley in compound rations. The proportion of barley used in rations is expected to fall from 58 per cent in 1978 to as low as 44 per cent this year.

The meat industry is currently experiencing a severe shortage of cattle which has led to the temporary closure or short-time working of several plants. Spring is traditionally a time of short supplies, but disposals this year are running well behind last year, mainly because of a reduction in numbers in the beef cow herd, which accounted for one-third of total cow numbers in the early 1970s, following the disastrous cattle crisis in 1974. The shortage has been aggravated by a large export trade in calves which began in 1977 and by the late spring which has delayed the slaughter of grass-finished beef.

Some gloomy forecasts which show a relatively slow growth in total cattle numbers over the next five years have recently been published by the Irish Livestock and Meat Board. The Minister for Agriculture is pressing for the introduction by the EEC of a beef cow subsidy scheme which would help to reverse the decline in beef cow numbers.

The sheep industry, where numbers had fallen drastically in recent years, got a new lease of life with the signing of the bilateral deal giving access to the lucrative French market at the beginning of 1978. Gross margins in lowland sheep production are estimated to have risen by 70 per cent last year as a result and now exceed those achieved in the production of feed barley. A shortage of ewes and hoggets as a result of the decline in the breeding herd is restraining expansion, while another problem is to ensure that farmers can produce to the very tight quality specifications of the French market.

Beef and dairy products are the mainstay of Ireland's agriculture. Milk production is rising steadily, but there is some concern over beef cattle numbers

Gains

The gains from EEC membership have been widely shared throughout the farming sector, but there has been persistent criticism of the operation of the Farm Modernisation Scheme under which capital grants and other assistance are given to farmers in that it discriminates against smaller producers. The great majority of Irish farmers, over 80 per cent, fail to fall into the most favoured category of "development farmer" and the Government has pressed for modifications of the scheme in Brussels to enable a wider spread of farmers to reach this status.

Some revisions to the scheme are currently under discussion, though the proposal to suspend temporarily all investment aid to dairy farmers will be strongly opposed by the Irish Minister.

There are other schemes either in the process of implementation or in the pipeline which could help to transform the face of farming in the Western small farm areas. A £42m land drainage scheme has been launched with EEC aid, and a £200m package for infrastructural improvements and on-farm investment to be jointly financed by the Irish Government and the EEC is currently being considered.

One of the more dramatic consequences of farming prosperity in recent years is spiralling land prices, with top prices of £3,000 per acre and upwards being frequently paid. Some farmers are even reported to be looking in England and Wales for additional land.

High land prices underline the urgency of the land structure reform promised by the Minister, Mr. Gibbons. A recent report by an inter-departmental committee on the subject recommended that the state should cease its direct intervention in the land market (through the purchase and resale of land by the Land Commission) in favour of indirect influence by fiscal and regulatory means. The Minister favours a selective purchase tax to penalise land purchases by large farmers and non-farmers, but the long-promised Land Bill has still not seen the light of day.

The Minister has, however, moved decisively to improve the disease eradication schemes. Despite massive State investment in this programme the incidence of both bovine TB and brucellosis (contagious abortion) remains alarmingly high. The reasons for the lack of progress include the inordinate movement of cattle, delays in completing rounds of testing, the lack of adequate on-farm facilities and tampering with ear-tags and cattle identity cards.

The aim of the accelerated disease eradication programme announced by the Minister is to reduce the incidence of bovine TB from 7.5 per cent of herds infected in 1977 to 0.2 per cent within five years, and to be able to declare the country officially free of brucellosis by 1986. Among the measures recently introduced is the earpunching of reactors to eliminate tag-switching and greater control of the movement of cattle between herds by means of a 30-day pre-movement test.

Farming will not find it so easy to maintain its recent prosperity in future years. The Irish remain strongly committed to the continuation of the Common Agricultural Policy, but even they accept that increases in the level of guaranteed prices will be minimal in the next few years, while the Irish Green £ has now been devalued to within the 1½ per cent franchise or margin over the market rate so that there is presently no further scope for price increases from this source.

The prospect of Green £ increases in the future will depend on the performance of the Irish pound within the European Monetary System. The Central Bank forecasts that agricultural incomes will increase by 10 per cent this year which is below the expected inflation rate of 12 per cent.

Sharing

One of the most tricky farming issues facing the Government at the moment is not really an agricultural problem at all, but concerns the level and structure of taxation on the farming community. Farmers were only liable to rates on agricultural land up to 1974 when Mr. Ryan, the Coalition Minister for Finance, made the first tentative steps to bring larger farmers into the income tax net. Though that net has been gradually widened since then, making around 27,000 farmers out of an estimated 170,000 liable for income tax in 1979, the tax yield has not risen commensurately. Farmers contributed only £8m in income tax and £30m in rates last year, compared to £524m from PAYE taxpayers. Dissatisfaction over the progress being made towards sharing the tax burden equitably led to the first-ever nationwide political strike in April of this year.

The Government has responded by stating that it is seeking a contribution of £100m from farmers this year, and has introduced a 2 per cent sales levy on farm produce to this end. This has been bitterly opposed by the farming organisations, but they themselves are divided over whether to seek the normal accounts-based method or a flat-rate multiplier system as the long-term taxation structure for farmers. It is a sign of changing times when the redistribution of farming prosperity becomes the major issue of political debate.

Alan Matthews
Lecturer in Economics, Trinity College, Dublin

Post strike hits tourism

A RESURGENT Irish tourist industry has been cruelly hit again just as it seemed set to establish new records. After a significant recovery last year it has been stopped in its tracks by two major setbacks—a communications strike and a petrol shortage.

The Post Office strike, which left the country with a limited telephone service and no mail deliveries for over four months, has drastically reduced advance bookings while a severe petrol scarcity also threatens to cut tourist numbers.

This change of fortune has shaken the industry and forced the Irish Tourist Board to revise its projections. It is still too early to predict what the precise effect will be for the full season but it will almost certainly mean that Irish tourism will not repeat the remarkable achievements of 1978. In that year tourist number grew by 12 per cent and for the first time ever the total number of visitors, at 2.197m exceeded the 2m mark.

For an industry so important to the Irish economy (it was worth £290m last year) tourism has run into an enormous number of difficulties in the past decade. It has been beset not only by violence on both sides of the border but by airline and shipping disputes, telecommunication strikes, bad weather and a general outcry about hotel standards.

Little surprise then that the industry is now only marginally stronger than it was ten years ago. Tourist arrivals reached 1.9m in 1969 but fell away in the following years as the level of violence increased. During the recession many hotels went bankrupt and plans to build extra accommodation were scrapped. Car-hire firms closed down in many cities and towns and the State airline, Aer Lingus, almost went to the wall.

Changed

The picture has changed since 1977. Tourists have been coming back in increasing numbers and after a highly successful 1978 season discussion in the industry switched from the problems associated with having too few visitors to those associated with having too many.

The main resurgence was in the British market, which provided close on a million visitors—almost half the total tourist numbers and more than one-third of the entire revenue.

Although the 1969 high of 1.1m British visitors has not yet been surpassed, the 15 per cent recovery last year was the largest single annual increase ever achieved in this market. Factors contributing to this improvement were the reduced level of violence in the north, a greater realisation of stability in the south, and the wide range of incentive fares offered by the shipping and airline companies.

This summer it may take more than attractive fares to persuade thousands of families to take the car ferries to Ireland. Any uncertainty about the availability of petrol will dissuade drivers from embarking on a motoring holiday in Ireland. It is difficult to dispel the fears of being stranded on the side of a road.

Less affected by any petrol shortage are American tourists, who tend to travel in groups. Despite the recent telecommunications difficulties in Ireland the Tourist Board is forecasting that the number of arrivals from the U.S. this year will be considerably higher than the 322,000 who stopped off in Ireland in 1978. Though North Americans make up only 15 per cent of the out-of-State visitors, they contribute almost one-third of tourism revenue, underlining their importance as the big spenders.

One reason why the American market should grow is the availability of more charter flights from New York, Boston and Chicago, cities with big Irish populations. The Irish Government recently gave two American airlines permission to run charter services into Dublin after the U.S. authorities threatened to make it more difficult for the Irish national carrier to serve the same cities.

Of the three markets which serve Irish tourism in bulk—the UK, America and Europe—Europe is the only one which has no ethnic content. This market was only taken seriously in 1970 when the British visitors began to stay away. Since then arrivals from European countries have grown to 294,000 and Tourist Board officials forecast that within a few years it will have overtaken the U.S. as a source market for Irish tourism. Last year West Germany sent 93,000 visitors, France 79,000 and the Benelux countries 85,000.

Groupings

The Continentals tend to come from the higher social groupings and their expenditure per head is also large in consequence. Surveys have shown that the Germans spend over twice the average of a British visitor, followed by citizens of the Benelux countries and France at something over one and a half times this average.

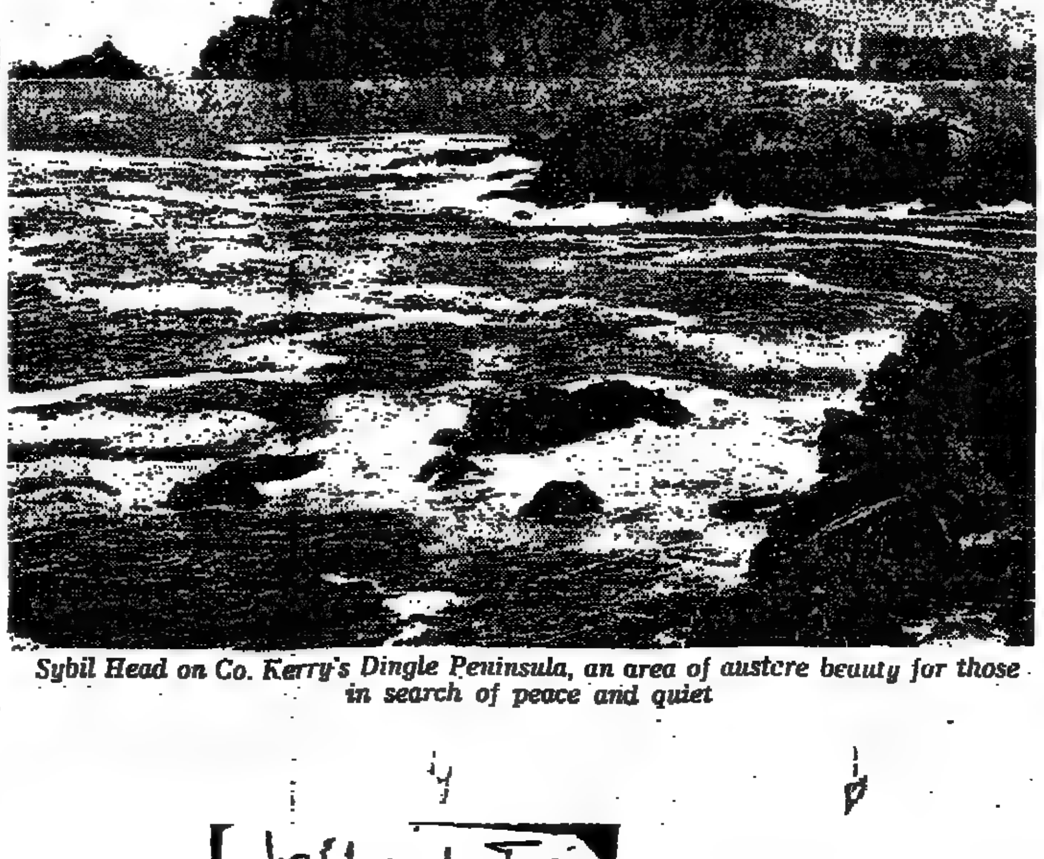
The only market which did not produce a significant recovery in 1978 was Northern Ireland, reflecting not only the political and economic situation in province but also the difficulty of healing the scars left by a decade of violence. Claims by the Tourist Board that over half a million people crossed the border last year for vacations are challenged by some experts, who argue that farmers with land on both sides of the border are often confused with holiday-makers.

The fluctuating fortunes of Irish tourism has had an important effect on Aer Lingus. It has forced the company to look outside purely airline services for a stable profit base. It has invested heavily in hotels (2 in the U.S. alone), computer services and aircraft maintenance plants which are expected to provide the bulk of the £4m profit budgeted for this year.

Aer Lingus contends that it will always find it difficult to make money on its airline services because of the disadvantage of operating from a home market of only 3m people. For that reason the company is planning further investment in ancillary activities.

This year, like others, the performance of tourism generally will determine whether the airline service returns a profit. And, as the season gets under way there is great uncertainty about the immediate prospects for the tourism industry. The Irish Hotels Federation fears that business could drop by up to one-third and rightly condemns the Tourist Board for its reluctance to warn the Government of the consequences of a long communications dispute. It is not altogether surprising that the Tourist Board assumed a low profile on a strike which has had a disastrous effect on tourism because the same Government Minister has responsibility for both tourism and the Post Office. It now seems likely that the Tourist Board will have to pay the price of its ineptitude.

Jack Fagan



Sybil Head on Co. Kerry's Dingle Peninsula, an area of austere beauty for those in search of peace and quiet

IE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

Jason Crisp talks to Peter Drucker, "doyen of management thinkers," and charts his career from a depressing Vienna in the 1920s through journalism and banking to his present success as best selling author and corporate advisor

Drucker on love, Jane Austen and economic man

man in his 70th year rucker packed in an ex- tight schedule on his ving visit to the UK this In a few short days he to two conferences d by the British Insti- if Management and d his 15th book.

lso went to a concert ing the birthday of "an ily friend," Sir Robert who is 100. Sigmund as a family friend, too. lmost all of the friends ker and his family are brilliant or powerful. three.

r is still the doyen of ent thinkers; certainly popularity is your mea- m report that paper- es of his books in the exceeded 500,000 copies at Heathrow Airport, a strange reason). And in a subject where a onsand is considered ole.

bility in the presenta- management concepts particularly when he o a group of people. He ell-practised conference First, he breaks the of the lecture by avoid- dressing his audience able and speaking into microphone. Instead, he ound the front and sits ly on the corner of the d brings he audience confidence.

slow, heavily-accented merican (but largely speech compels you to arefully, and in mid- he will pause with his one side while his lean forward to catch nding phrase.

so has a delightfully of epigrams. "Inflation expropriation of the by the government," ney is too important to to governments" . . . ias only made three etaphysical creations, , God and money" so l on.

fter he has been speak- rprising number of his exclaim in conversa- remarkably he put into something they have es have been struggling sfully to say.

writings Drucker has oken with form and a book about his life. er he hasn't; he has about the people he has his life and what extra- people they are: he tells of the great famous like Freud, Thomas Mann, Buckminster Fuller and Alfred Sloan, he also describes characters who his reader will never have known—his grandmother, his teacher and the upper classes of Austria in the 1920s.

Even the briefest vignette portrays characters which seem larger than life. Quite whether it is the people who are actually larger than life or whether they appear so because of the vivid way in which Drucker tells a story is not always obvious.

He agrees that the people in the book are larger than life, but he also points out that the characters have a "fatal flaw." And it is true, although the book exalts in the brilliance of its subjects, it is far from idolatory. His criticism can be trenchant.

What is clear is that whatever else he is, Drucker is a great story teller. *Adventures of a Bystander* demonstrates his mastery of that art as he roams from the decadence of the end of the Austrian empire to how Alfred Sloan ran General *Motors*.

Drucker was born into a prosperous upper class Austrian family in Vienna—his father was a senior civil servant both under the Hapsburgs and the Austrian republic (pre-Hitler).

Drucker says he loathed Vienna. In the twenties, he says, it was a very uncertain and disillusioned place; what once had been the capital of the Austro-Hungarian empire now ruled only a small Alpine state. His father wanted him to go to university, suspecting—"Quite rightly," says Drucker—that he lacked the instincts *and talents for business.*

But he did not go to university for two reasons. First it would have meant staying in Vienna and secondly he realised that to succeed in academic life one had to be a first rate scholar and researcher and before committing himself he wanted to test his abilities. He left school at 16 and spent two years researching into legal philosophy and sociology.

But in autumn, 1927, at the age of 18, Drucker went to Hamburg as a trainee clerk and then to Frankfurt as a securities analyst for the European branch of a Wall Street brokerage firm, a job which ended abruptly with the New York Stock Exchange crash in autumn, 1929.

At twenty he went into *journalism—a small 'popular'* Frankfurt afternoon paper—and at the same time studied law and lectured in it even *before getting his doctorate.* Within two years he was a senior editor of the paper in charge of economic and foreign news. Partly, this was because it was run on a very small staff.

The other reason he gives in his book. "Not because I was so good but because the generation ahead of me simply did not exist. There were no thirty year olds around when I was twenty; they were lying in the officers' cemeteries of Flanders and Verdun, Russia and Isonzo."

Drucker admits that in his early days in Germany he found himself being drawn towards *the ultra right. "What do you* expect? An uncertain eighteen year old who had left the ambiguity of Vienna finds certainty very attractive. I was greatly drawn to Catholicism too . . ."

But in his book Drucker says that in 1932, when the Nazi vote was falling, he decided he would leave Germany when Hitler came to power—which Drucker believed would be the case.

Three months after Hitler did come to power, Drucker came to England where he became a temporary "trainee" *insurance clerk in marked con*trast with his life in Germany. There, only a few months previously, he had been offered a senior job on a much more weighty paper and a lectureship at the same time.

After the insurance job finished he spent an uncertain winter in Vienna before returning to London to become economist and executive secretary to the partners of a City merchant bank.

Some of Drucker's more colourful tales in *Adventures of a Bystander* centre around his three years at the bank. There was, for instance an arbitrageur who dealt almost exclusively in Chrysler shares in the markets around the world, and in fact did more business in a day in Chrysler than did the New York Stock Exchange where it was *heavily* traded. One day he came to chat and Drucker, who was researching the U.S. auto*mobile industry,* mentioned that Chrysler looked very good for the coming year. "There was a long silence," writes Drucker, "then he said: 'Chrysler, an automobile company? I always thought it was a railway.'"

Then there was the bank's courtesan. One of the junior partner's duties was to take this remarkable lady as his mistress—indeed it was written into his contract. An insoluble problem arose in Drucker's day when it came to promoting the firm's main trader to junior partner. He, deeply in love with his wife, abhored the courtesan, now in her fifties, haggard and vile tempered, while the then junior partner, 20 years her junior, loved her to abstraction. But because the trader refused this task he could not be made partner.

Drucker swears that this and other rumbustious tales of *the bank are true: "It's the one* thing that is 100 per cent true: you could not make up a story like that."

In 1937 Drucker, who had been continuing to write articles, moved to the U.S. as American correspondent to several British newspapers, including the Financial News, which is now the FT. He was also adviser to several European financial institutions.

Drucker's first book *The End of Economic Man* was published in 1939 and in a sense it marked the emergence from the pupa of the Drucker of today. Quite what, is not easily pinned down . . . academic, writer, management consultant, economist, management guru?

"I see myself as a writer, I always have." he answers. Lean*ing back on the sofa he looks up* at the ceiling and pauses before reflecting: "I'd really liked to have been a novelist. . . . I would never have been good enough to be a major novelist and I could not have accepted being a minor one."

He leans forward quickly: "It's very arrogant of me."

Drucker says he has a natural and consuming interest in how people behave in organisations whether it is a business, a hospital, a university or the family. The novel he believes is the best observation of that relationship. "If you want to understand industrial society you must read novels. If you want to understand Britain's industrial problem you must read Dickens' *Hard Times.*"

He would have liked to be a writer like Trollope or, he adds, "If there is such a thing as reincarnation I would like to be reborn as Jane Austen."

On the strength of his second book *The Future of Industrial Man*, Drucker was asked by General Motors to study the company's structure and top management in 1943. It was to prove a valuable task, setting him on the road to fame as consultant and lecturer. The company wanted him to take a fresh look at GM whose policies and structure were then 25 years old and Alfred Sloan's retirement *was imminent—postponed only* because of the war.

Although Sloan supported Drucker's project he rejected its findings. But from it Drucker wrote *Concept of the Corporation* which was one of the first books to make management a science in itself. It was highly successful and Drucker was set fair for the future.

One of Drucker's current preoccupations is on government on which he is not greatly inclined to heap praise. He says that for the past nine years he has thought of writing a book on whether government can "be saved." Government is *grotesquely obese* and grotesquely incompetent, he argues. The problem of writing the book, he says, is that he has a brilliant diagnosis, and a brilliant prognosis but as yet cannot see the solution.

Ashley Ashwood

Peter Drucker in full flow

And he has a very typical anecdote about his views on government. Several years ago he wrote that governments were only good at doing two things, waging war and debasing the currency. Shortly after becoming President Richard Nixon announced that he would prove Peter Drucker was wrong.

"He was right . . . he proved government could not even wage war." It has it all, the epigram, the self-aggrandisement and the wit.

Adventures of a Bystander by Peter Drucker. Heinemann £6.95, 344pp.

Management abstracts

summaries are con- from the abstractions published by Anbar ent Publications. wishing to consult texts should write to 23, Wembley HA9 8DJ.

s on Behalf of Staff. Dijkers in Bedrijfsvoer- Netherlands), Dec. 78; p. 630 (part of an article, 1 page; in Dutch, English version available).

An outspoken commentary on the implications—practical as well as ethical—of the practice by which a purchasing department buys various goods on behalf of staff members who repay the cost.

The "Teams Office" Concept. R. Thoma in Büro + EDV (Fed. Rep. of Germany), Dec. 78; p. 16 (1½ pages, illus.; in German, English version available).

Traces office planning fashions from the "landscape" of several thousand square metres 10 years ago to the smaller (100-200 square metres) office preferred today for groups ("teams") of eight to 12 people.

Management Control in France, UK and Germany. J. H. Horovitz in Columbia Journal of World Business (U.S.), Vol. 13 No. 2; p. 16 (seven pages, tables).

A comparative study of management control practice in France, UK and Germany sees little sign that managers are exchanging knowledge across national boundaries, but indentifies some national patterns, with the UK strong on financial control but relatively weak on the planning and control of production, Germany tight on the short-term operational control of production, and France not quite achieving a reconciliation between these two strengths.

The Stressless Redundancy. S. Fineman in Management Decision (UK), Vol. 16 No. 6; p. 381 (6½ pages, diag.).

On the basis of research at a training centre conducting courses to help unemployment managers to acquire the skills necessary to find a job, asserts *that stress is not always associ*ated with redundancy; some participants actually experienced a feeling of freedom, because they were out of place or "imprisoned" in their jobs. Outlines how staff specialists within a firm can help to lessen the impact of redundancy—by, e.g., counselling and setting up "group support sessions" involving groups of people who are being made redundant.

LOMBARD

The need for a two-tier EMS

BY NICHOLAS COLCHESTER

A GOOD starting point for any new club is that its membership should agree on what they hope to achieve in founding it. At this rather basic level the European Monetary System has an unhappy feel. What is it for? Is it a system of constraint which will ultimately lead to the emergence of a European currency? Or is it an association whose members adjust their exchange rates quite frequently and avoid the worst excesses of exchange rate volatility in between?

On posing this ingenuous question the observer is pulled aside by different factions within the club and told not to make a fool of himself. "It's the first, don't you see," hisses the Brussels euro-faction," but we hope to make it more palatable by making people think they are joining the second."

"It must and will be the second," a wise-looking Frankfurt banker insists, "though there are those in Bonn who think they have joined the first."

Common sense

"As a non-playing guest I'd rather not be categoric," a silvery haired London banker explains, "but as I said in a recent speech I see EMS as a series of target ranges which will allow us to exercise common sense in a world where the *significance of statistics* is seldom clear, and which will permit a degree of reconciliation of exchange rate and domestic monetary objectives that is desirable and indeed necessary for those practising central banking."

It is convenient but surely hopeless to believe that the EMS can embrace such a divergence of views. *If EMS is to act as a* constraint which helps European countries pull their currencies together then revaluations within the system should be acts of considerable political drama. For if a unified currency is the aim EMS is a statement of the political will of its members to rank domestic monetary policy second to the aim of preserving *an almost constant parity.*

If, on the other hand, EMS is to be a system of jerkily "crawling pegs"—in which the reasonably frequent parity changes needed to reconcile inconsistent monetary policies are "de-dramatised," then this aim needs to be restated *emphatically* by member governments and the EMS mechanism redesigned.

The fact is that this mechanism is structured with the grand aim in mind. The complicated way in which EMS parities are defined by reference to the ECU (European Currency Unit), which is itself a basket of the EMS currencies, *means* that the decision to revalue any one currency requires that every other EMS currency be simultaneously *devalued against the ECU to* keep the system on the rails.

The current membership, and would-be membership, of the EMS also helps to give the club its rather nebulous feel. There are non-members of the EEC (Austria, Switzerland) which are toying with the idea of some sort of EMS membership. There is a member of the EEC (the UK) which is not a full member of EMS but whose currency, quite absurdly, affects the value of the yardstick full members must abide by.

It is surely time that a clear-cut two-tier structure evolved. This would distinguish cleanly *between EEC members willing* to face up to a convergence of monetary policies, and those EEC members and non-members who wish to retain monetary sovereignty while at the same time preserving a stable but movable, relationship with one or more currencies in the top tier.

The reason for not soldiering *on with the status quo is that* we have been here before—in the days when the Bretton Woods fixed parity system was sickening and before we discovered that the theoretical excellence of a fully floating exchange rate system was unbearable in practice.

The core

We tried to persuade ourselves then that central banks *could somehow control both* money supply and the exchange rate. We argued then that exchange rates should be fixed but flexible, and found that flexibility was politically impossible to orchestrate, even though the fixed rates were unrealistic.

It has become obvious that we cannot have it both ways. The core of the EMS club should be a currency block with all the commitment which that entails: exchange rate flexibility should remain outside.

Fired with enthusiasm in Worcestershire

BY PETER CARTWRIGHT

ENTERPRISING employees opting out of the big time to set up their own ventures have brought new talents to the area administered by Malvern Hills district council and a diversion in job opportunities for school leavers. *Largely because of the* eclipse of the influence of the potter in the management of Royal Worcester Fine China in the nearby county town in favour of a more financially oriented structure, several employees left to strike out on their own. Two went to Malvern and the third to Ledbury, a few miles to the west of those hills *so beloved of Elgar.*

Malvern, a Victorian spa town, already had a nucleus of artists, but at Ledbury, a market town of some 4,500 inhabitants, the setting up of Hereford Fine China extended the range of employment prospects and uncovered previously unsuspected skills needed in pottery work among local boys and girls.

Ledbury is a lively place well endowed with ancient buildings and organisations and imbued with a strong local pride. The little industrial estate where Mr. Ricky Lewis and four others who had left Royal Worcester set up Hereford Fine China five years ago. was established as a private venture by enterprising local businessmen. The three *and a half* acres contains a packaging and printing factory, a laundry catering for the hotel trade, *and pharmaceutical* laboratories.

In 1970 Mr. Terry Lewis (no *relation*) and Mr. Keith Bufton bought a wood shed to start up a similar venture at Malvern; quickly caught the eye of

AROUND BRITAIN

MALVERN

Boehm, of Trenton, New Jersey and became part of the American group.

The industrial estate at Malvern is much larger, comprising more than 50 units. It was established by the then Malvern council and the sites are leased. Many people think that there is now quite enough *industry* there, especially as it is easy to commute by train to Worcester. At any rate, when Mr. Ray Poole and his wife, who again both used to work at Royal Worcester, wanted to set up three and a half years ago they had to find premises elsewhere behind some houses.

A common bond between the three is china birds. All of them at some time worked alongside or under the famed Dorothy Doughty. Other skills, the pull of the market and their own inclinations have led them into other ventures, horses and flowers particularly, with help for endangered species through joint projects with the Royal Society for the Protection of Birds and similar organisations.

While most of the work turned out by the studios is limited edition or personally commissioned, the majority also have less expensive continuous ranges, *partly as a way of training* youngsters to higher skills. Prices range from around £30 for a bird, to £700-£800 for a horse, £3,000 for a pair of pheasants to £12,250 for "Momentum" by Boehm, a composition of three tigers in the act of springing, in flight and landing.

These may seem high prices until the work *involved* is appreciated. It isn't absolutely necessary to own a greyhound in order to sculpt one in bone *china, but it helps.* When Mr. Richard Wainman, the technician at Hereford Fine China, decided to make a more conventional contribution he bought the greyhound and spent two years studying the anatomy of greyhounds and studying the dog in action. The final result was a nine inch high sculpture of a greyhound in full flight. Management at Belle Vue racecourse was so taken with it that it presented a copy to the winner of a race to celebrate the half centenary of greyhound racing.

A two-year stint is not at all uncommon, especially for a new sculpture, for it is vital to the reputation of a studio to have as accurate a standard as possible from which copies will be made by people other than the original artist.

On the other hand it may take no more than three or four months to complete a new sculpture. Several *of the designers* and artists at Hereford Fine China are *ornithologists* or flower specialists whom it would not be surprising to meet *during* a weekend walk through Dymock Wood or some other favoured spot round Ledbury.

The start of a new sculpture is a plasticine model from which plaster of paris moulds are *made*, and the model has to be one seventh larger than the planned finished dimensions to allow for shrinkage in the firing. The next stage *is* to pour "slip"—liquid clay—into the moulds and let it dry. The different components are then sculpted to accentuate the less definite imprints from the mould so that every feather of a bird, every petal of a rose imitates nature as exactly as skilled hands can contrive.

There may be scores, even hundreds of small components that are assembled into the end product. They may be every *spike and* bloom in a sprig of gorse on which a bird rests, the legs, tail and harness of a horse, the petals of a flower. It will take two days to sculpt a 22 in high sparrowhawk in flight.

Most of the models need clay *scaffolding* (*that* will *shrink* at the same rate) to support them while in a plastic state during firing. After the first firing the scaffolding is removed along with the seams, the model is glazed and fired again ready for the first of two or more firings to take the colours.

The finished product is the fusion of several separate skills. The processes are *the same as* in a big commercial pottery. The difference is in the attention given to minutiae, the authentic stamp of individual craft work. It embraces skills and artists who won't and can't be hurried. They left the Royal Worcester factory partly because, as it seemed to them, work was becoming geared to a too commercial rhythm. Those who have come to Malvern and Ledbury are passing on their knowledge and experience to local youngsters and so far there have been very few failures during the trial period.

Much of the work incorporates original concepts. More closely attuned to the market are horses, interest in which has been *widely stimulated* by royal patronage and coverage by the media, as well as the bicentenary of the Derby. Hereford has been commissioned *to* do Hyperion and Mill Reef, and Clermont, the youngest studio, *Mulgrave Supreme*, one of only four pure bred Cleveland bays. The Queen helped to keep them from being exported and to inspire Clermont to *sculpt* Mulgrave Supreme, along with her favourite carriage horse Rio. This is one of the Windsor Greys that draw the royal carriage on state occasions.

Limited editions like these, *from 25 to 500*, depending on their complexity, commemorate and help to personalise events. They are also likely to appreciate *in value*. *At any* rate more and more people believe so and, indeed, ceramics is even beginning to take over from silver in the trophy field, again often because it can be more personal.

New marketing trends are also helping to create a stronger demand for the work of studio potteries. Recently up-market mail order houses have appeared (Heritage in Bristol and Birmingham Mint), while one or two prestige stores like Mulberry Hall at York, have started their own mail order business in ceramics and glass. The outlook for the studios in Ledbury and Malvern *seems* bright.

Greenland Park looks good

RACING

BY DOMINIC WIGAN

GREENLAND PARK, the fastest two-year-old filly over five furlongs last season, can gain her third course and distance victory in today's five-furlong King's Stand Stakes at *Royal Ascot.*

Her trainer, William Hastings-Bass, had every reason to be delighted with her when she was third on her only previous appearance this term in the Temple Stakes at Sandown. Racing on soft ground totally against her, she was running on in fine style. At the line only Double Form and Ahonoora were in front. She meets them on 7 lbs better terms today. I shall be surprised if *she fails to gain her revenge.*

If she is to be beaten I believe that Golden Thatch, trained by Vincent O'Brien, will do so. A three-year-old, she easily disposed of the four-year-old Rose Above in the Greenland's Stakes over six furlongs at the Curragh on May 12. Over five furlongs in the Ballyogan Stakes at Leopardstown on June 2 she beat Lady Littlespace in the fast time of 59.60 seconds.

Willie Carson, who partners Greenland Park, may land both the Hardwicke Stakes on the Queen's Duke of Normandy and the Wikingham Stakes, on the ultra-consistent Overtrick. Duke of Normandy, a course winner, may not quite have the pace to *match strides with the* Champion Stakes winner Swiss Maid, but Overtrick looks a reasonable each-way prospect.

In the opening event, the Windsor Castle Stakes, Lester Piggott supporters will almost *certainly be rooting for the* unbeaten Charming Native, a colt by Princely Native, and half-brother to several winners. He was hard-driven close home to beat Great Chum at Windsor on his racecourse debut last month. I feel sure that he will go well without, perhaps, proving speedy enough to peg back Mr. Bertram Firestone's highly rated Winds of Winter, trained by Dermot Weld in Ireland.

Piggott seems set for a win on Billion, in the Queen Alexandra Stakes. Mr. Nelson Bunker Hunt's five-year-old will have no difficulty in getting the two miles and six furlongs. Piggott has chosen Billion in preference to John Cherry, a previous winner of this race.

ROYAL ASCOT

2.30—Winds Of Winter*
3.05—Swiss Maid
3.45—Overtrick
4.20—Greenland Park***
4.55—Oldstock**
5.30—Billion

Quarry wins safety award

A NEW trophy for safety in quarrying and allied industries will be awarded today to Hingston Down quarry near Gunnislake, Cornwall.

TV/Radio

† Indicates programme in black and white

BBC 1

6.40-7.55 am Open University (Ultra High Frequency only). 10.45 You and Me. 11.05 For *Schools, Colleges.* 12.50 pm Teliffant. 1.15 News. 1.30 Heads and Tails. 2.02 For Schools, Colleges. 2.55 Tennis: Colgate Women's *International* Semi-finals. 4.18 Regional News for England (except London). 4.20 Play School (as BBC 2 11.00 am). 4.45 We Are The Champions. 5.10 Lassie. 5.35 Fred Basset.
5.40 News.
5.55 Nationwide (London and South-East only).
6.20 Nationwide.
7.00 It's a Knockout.
8.00 Are You Being Served?
8.30 The Marti Caine Show.
9.00 News.
9.25 Petrocelli.
10.15 Tonight in Town (London and South-East only).
10.45 Regional, National News.
10.50 Monty Python's And Now For Something Completely Different.

All Regions as BBC 1 except at the following times:—

Scotland—5.55-6.20 pm Reporting Scotland. 10.15 Beechgrove Gardeners at Large. *10.45-10.50* Regional, National News.

Wales—11.05-11.25 am For Schools (Let's Look at Wales). 1.30-1.45 pm Bys a Bawd. 5.55-6.20 Wales Today. 7.00 Heddiw. *7.30-8.00 Lena Zavaroni and* Music. 10.15 Kane on Friday. 10.45-10.50 Regional, National News.

Northern Ireland—4.18-4.20 pm Northern Ireland News. 5.55-6.20 Scene Around Six. 10.15 Public Enquiry. 10.45-10.50 Regional, National News.

England—5.55-6.20 pm Look East (Norwich); Look North (Leeds, Manchester, Newcastle); Midlands Today (Birmingham); Points West (Bristol); South Today (Southampton); Spotlight South-West (Plymouth). 10.15-10.45 East (Norwich) Having a Wonderful Time . . . ; Midlands (Birmingham) This Is . . . ; North (Leeds) Direct Line; North-East (Newcastle) Mike on Friday; North-West (Manchester) Home Ground; South (Southampton) *That's the Way to Do It;* South-West (Plymouth) Peninsula; West (Bristol) Public Life.

BBC 2

6.40-7.55 am Open University.
11.00 Play School.
2.00 pm Royal Ascot.
4.35 Lawn Tennis: The Colgate Women's International Semi-finals.
4.50 Open University.
6.55 Gardeners' World.
7.20 Mid-evening News.
7.30 Heads and Tales.
7.45 Westminster.
8.10 Television World.
9.00 All Creatures Great and Small.
9.50 Around with Alliss.
10.20 Bullseye BBC 2.
10.45 Without Fear or Favour.
11.30 Late News.
11.45 Tennis: Colgate Women's *International (highlights).*
12.25 am Closedown reading.

LONDON

9.30 am Schools Programmes. 11.55 Betty Boop cartoon. 12.00 A Handful of Songs. 12.10 pm Pipkins. 12.30 The Sullivans. *1.00 News, plus FT Index.* 1.20 Thames News. 1.30 Home and Design. 2.00 After Noon Plus at Home. 2.25 Friday Matinee: "*The Shakiest Gun In The* West." 4.15 Midnight is a Place. *4.45 Gymnastics.* 5.15 The Brady Bunch.
5.45 News.
6.00 Thames at 6.
6.30 Emmerdale Farm.
7.00 The Krypton Factor.
7.30 Winner Takes All.
8.00 Hawaii Five-O.
9.00 Kids.
10.00 News.
10.30 A Question of Sex.
11.15 The London Programme: Contraceptive Injections.
12.15 am Electric Theatre Show.
12.45 Close: Personal choice with Leo Aylen.

All IBA Regions as London except at the following times:—

ANGLIA

1.25 p.m. Anglia News. 2.00 Money-Go-Round. 2.25 Friday Film Matinee: "State Secret" starring Douglas Fairbanks Jr., Glynis Johns and Jack Hawkins. 5.15 Bailey's Bird. 6.00 *About Anglia.* 7.30 Gambit. 8.00 Chips. 10.30 Probe. 11.00 Friday Late Film: "Island in the Sun." 1.15 a.m. Christians in Action.

ATV

12.30 pm Gardening Today. 1.20 ATV Newsdesk. 2.25 Feature Film: "My Six Convicts." 5.15 Makin' It. 6.00 ATV Today. 8.00 The Incredible Hulk. 10.30 Mary Hartman, Mary Hartman. 11.00 The Tough Guy Movie: "The Long Day's Dying."

BORDER

1.20 pm Border News. 2.00 Money-*Go-Round.* 2.25 *Matinee:* "The Desperate Miles." 3.50 Untamed World. 5.15 Garnock Way. 6.00 Lookaround Friday. 6.30 Happy Days. 8.00 Fantasy Island. 10.30 Your MP. 11.00 Late Film: "The Eyes of Charles Sands." 12.15 am Border News Summary.

CHANNEL

1.20 pm Channel Lunchtime News and What's On Where. 2.25 The Friday *Matinee:* "The Art of Crime." 3.50 Josiah Wedgewood and the English Potteries. 5.15 Emmerdale Farm. 6.00 Report at Six. 6.35 Friends of Men. 10.28 Channel Late News. 10.35 Chimley Corner. 10.55 B.J. and the Bear. 12.15 am News and Weather in French.

GRAMPIAN

9.20 am First Thing. 1.20 pm Grampian News Headlines. *2.25 The Friday* Matinee: "Elephant Boy," starring Sabu. 3.50 Stars on Ice. 5.15 Emmerdale Farm. 6.00 Grampian Today. 6.35 Happy Days. 7.30 The Entertainers (Georgie Fame). 10.30 Reflections. 10.35 The Friday Film: "Island of Terror." 12.10 am Grampian Late Night Headlines, followed by Road Report.

GRANADA

1.20 pm Cartoon. 2.25 Friday Matinee: "Blood Sport." 3.50 Out of Town. 5.15 The Rolf Harris Show. 6.00 Granada Reports. 6.30 Oh No, It's Selwyn Froggitt. 10.30 Hitchcock: "Topaz."

HTV

1.20 pm Report West Headlines. 1.25 Report Wales Headlines. 12.25 "The Damned Don't Cry," starring Joan Crawford. 5.15 Gambit. 6.00 Report West. 6.15 Report Wales. 8.00 The *Incredible Hulk.* 10.35 Report Extra. †11.05 The Late Film: "Life Begins At Eight-Thirty," starring Monty Woolley and Ida Lupino.

HTV Cymru/Wales—As HTV General *Service except:* 1.20-1.25 pm Penawdau Newyddion Y Dydd. 4.15-4.45 Y Gwr Bonheddig Yn Y Gôt Felted. 6.00-6.15 Y Dydd. 10.35 Camera. 11.05 Outlook on Agriculture. 11.35-12.30 am The *Outsiders.*

HTV West—As HTV General Service except: 1.20-1.30 pm Report West Headlines. 6.15-6.30 Report West.

SCOTTISH

1.25 pm News and Road and Weather. 2.25 Feature Film: "Seven Year Itch," starring Marilyn Monroe. 5.15 Gambit. 6.00 Scotland Today. 8.00 The Incredible Hulk. 10.30 Ways and Means. 11.00 Late Call. 11.05 Appointment With Fear: "Black Zoo."

SOUTHERN

1.20 pm Southern News. 2.00 *Money-Go-Round.* 2.25 *Friday Matinee:* MacMillan. 3.50 Baloonatics. 5.15 Happy Days. 6.00 Day By Day. Scene South-East (South-East Area only). 6.30 What's On Next? 10.30 *Weekend.* 10.35 *Opinions Unlimited.* 11.05 Southern News Extra. 11.15 SOAP. 11.45 The Late, Late Premiere: "Elvis! Elvis!"

TYNE TEES

9.25 am The Good Word, followed by North-East News Headlines. 1.20 pm North-East News and Lookaround. 12.25 Friday Film Matinee: "All For Mary," starring Nigel Patrick and Kathleen Harrison. 3.50 The New Andy Williams Show. 5.15 Laverne and Shirley. 6.00 Northern Life and Sportstime. 8.00 The Incredible Hulk. 10.30 Friday Live. 12.00 SWAT. 1.00 am Epilogue.

ULSTER

1.20 pm Lunchtime. 2.25 Friday Matinee: "The Card," starring Alec Guinness. 4.13 Ulster News Headlines. 5.15 Gambit. 6.00 Ulster Television News. 6.30 The Practice. 8.00 The Incredible Hulk. 10.30 Friday Film: "My Six Convicts." 12.25 am Bedtime.

WESTWARD

12.27 pm Gus Honeybun's Birthdays. 1.20 Westward News Headlines. 2.25 The Friday Matinee: "The Art Of Crime." 3.50 Josiah Wedgwood and the English Potteries. 5.15 Emmerdale Farm. 6.00 *Westward* Diary. 6.35 Time Out. 8.00 Hawaii Five-O. 10.32 Westward Late News. 10.36 Chimley Corner. 10.55 B. J. and the Bear. 12.15 am Faith for Life. 12.20 West Country Weather, Shipping Forecast.

YORKSHIRE

1.20 pm Calendar News. 2.25 Friday Film Matinee: "Della," starring Joan Crawford. 3.45 Cartoon Time. 3.50 Andy. 5.15 Makin' It. 6.00 Calendar (Emley Moor and Belmont editions). 6.35 Calendar Summer Sport. 8.00 The Incredible Hulk. †10.30 "Rebecca," starring Laurence Olivier and Joan Fontaine.

Radio Wavelengths

1 1053kHz/285m 1089kHz/275m	3 1215kHz/247m & 90-92.5vhf stereo	BBC Radio London: 1458kHz, 206m & 94.9vhf
2 693kHz/433m 909kHz/330m & 88-91vhf stereo	4 200kHz/1500m & 92-95vhf	Capital Radio: 1548kHz, 194m & 95.8vhf
		London Broadcasting: 1151kHz, 261m & 97.3vhf

RADIO 1

(S) Stereophonic broadcast

5.00 am As Radio 2. 6.00 Dave Lee Travis. 9.00 Simon Bates. 11.31 Paul *Burnett. 2.00 pm Tony Blackburn.* 4.31 Paul Gambaccini. 6.31 Roundtable. 8.00 Andy Peebles. 9.50 Newsbeat. 10.00 The Friday Rock Show (S). 12.00-5.00 am As Radio 2.

RADIO 2

5.00 am News Summary. 5.02 Tony Brandon (S). 7.32 Terry Wogan (S). 10.03 Derek Hobson (S). 12.15 pm Waggoners' Walk. 12.30 Pete Murray's Open House (S). 2.30 Ray Moore (S), including Racing from Royal Ascot. 4.30 Waggoners' Walk. 4.45 Sports *Desk.* 4.50 John Dunn (S). 5.45 Sports Desk. 6.45 Sports Desk. 7.02 The Grumbleweeds (S). 7.30 Sports Desk. 7.33 Fiesta de Dorita (S). 8.02 Friday Night is Music Night: concert, part 1 (S). 8.40 Talk by *Mike Shalla.* 9.00 Concert, part 2. 9.55 Sports Desk. 10.02 Take *Your Partners at the Radio 2* Ballroom. 11.02 *Brian Matthew* with Round Midnight including 12.00 News. 2.02-5.00 am You and the Night and the Music with Tim Gudgin (S).

RADIO 3

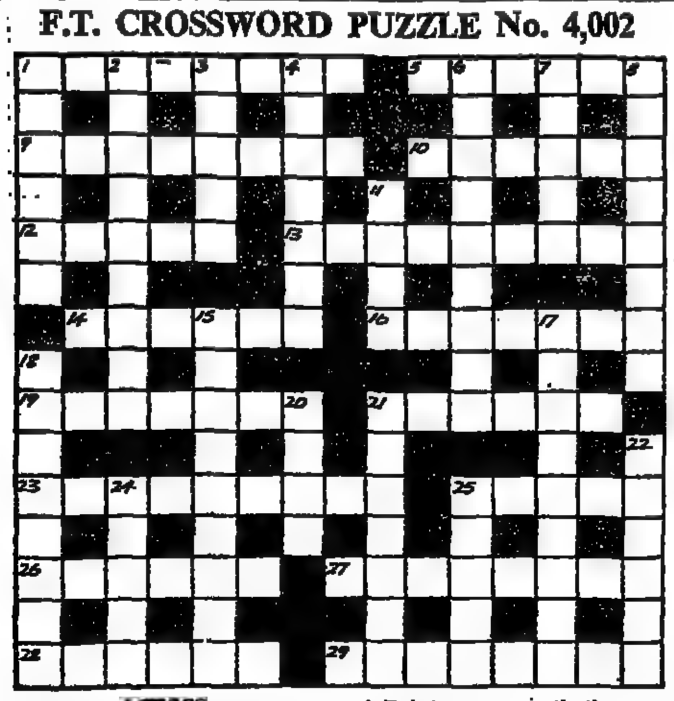
†6.55 am Weather. 7.00 News. 7.05 Overture, part 1 (S). 8.00 News. 8.05 Overture, part 2 (S). 9.00 News. 9.05 This Week's Composer: Milhaud (S). 10.05 Young Artists *recital* (S). 11.05 Vivaldi concert (S). 12.10 pm BBC Northern Symphony Orchestra, part 1 (S). 1.00 News. 1.05 Playbill (S). 1.20 BBC Northern SO, part 2 (S). 2.10 Medici String Quartet (S). 3.00 Jorge Bolet plays Liszt's Transcendental Studies, part 1 (S). 3.35 In Short: talk. 3.45 Jorge Bolet, part 2 (S). 4.20 London Mozart Players (S). 5.25 Homeward Bound (S). †5.45 News. †5.50 Homeward Bound. †6.15 At Home. 7.10 Charpentier's Lamentations. 7.45 Music Now. 8.30 Royal Liverpool Philharmonic Orchestra, part 1 (S). 9.15 The *Gardener by Ruth Katz.* 9.25 *Royal* Liverpool Philharmonic Orchestra, part 2 (S). 10.30 A Feast *of Painters.* 10.40 Bach Cantatas (S). 11.55-12.00 News.

VHF only—6.00-7.00 am and 6.45-7.10 *pm Open University.*

RADIO 4

6.00 am News Briefing. 6.10 Farming Today. 6.25 Shipping forecast. 6.30 Today, including 6.45 Prayer for the Day; 7.00, 8.00 Today's News; 7.30, 8.30 News Headlines; 7.45 Thought for the Day. 8.35 Yesterday in Parliament. 8.59 Continental travel information. 9.00 News. 9.05 Baker's Dozen. 10.00 News. 10.05 From Our Own Correspondent. 10.30 Daily Service. 10.45 Morning Story. 11.00 Down Your Way visits Great Torrington, Devon. 11.40 Announcements. 11.45 Listen With Mother. 12.00 News. 12.02 You and Yours. 12.27 My Music (S). 12.55 Weather; programme news. 1.00 The World at One. 1.40 The Archers. 1.55 Shipping forecast. 2.00 News. 2.02 Woman's Hour. 3.00 News. 3.05 The Last Englishman: Historical fantasy by David Pinner (S and B). 5.00 PM: News magazine. 5.50 Shipping forecast. 5.55 Weather; programme news. 6.00 News. 6.30 Going Places. 7.00 News. 7.05 The Archers. 7.20 Pick of the Week (S). 8.10 Profile. 8.30 Any Questions? 9.15 Letter from America. 9.30 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight. 10.30 Week Ending (S). 10.55 Sounding Off with Sir Adrian Cadbury. 11.00 A Book at Bedtime. 11.15 *The Financial World Tonight.* 11.30 Today in Parliament. 11.45 Just Before Midnight. 12.00 News.

F.T. CROSSWORD PUZZLE No. 4,002



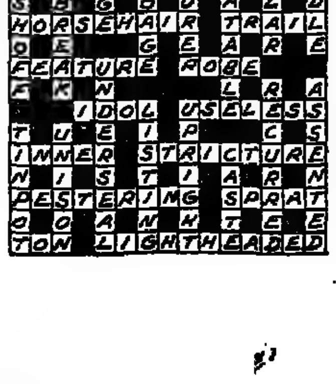
ACROSS

1 Queenstown Australia (8)
5 Result of eavesdropping in *winter* (6)
9 Northern flower warms up drives (3, 5)
10 Fodder is turned and left to *mature* (6)
12 Companion honoured to run amok with butter maker (5)
13 Lit up invalid you (we hear) dug up (9)
14 Talk to doctor giving injections (6)
16 Standard set by state founder to social worker (7)
19 She takes part of current to lock (7)
21 Back-stage *shout* caused by scratch (3, 3)
23 Burglar jokes with husband (9)
25 Awkward problem for portrait artist (5)
26 Foreign sailor may be a *rascal* (6)
27 Saving space for advertising (8)
28 Agreement to do business before end of July (6)
29 Compact that took a thoroughgoing purler (4-4)

DOWN

1 Charge made for some boat tackle (6)
2 Performer on river ignored a part of Bible (9)
3 Pale like a layer (5)
4 Point to row that's more foolish (7)
6 Make a quick fortune—but *not in notes* (4, 5)
7 Bond series (5)
8 Just make an appointment for same day (4, 4)
11 *Noisy friend upset by fuss* (4)
15 Sprinters are expected to have a meal (9)
17 Liking for a disease (9)
18 Knight finding surgical instrument by chance (8)
20 Tots doing arithmetic (4)
21 Comfort with fish (7)
22 Fear leader of French Conservatives (6)
24 Beer is inside gangway (5)
25 Wild fear disturbed student (5)

Solution to Puzzle No. 4,001



ENTERTAINMENT GUIDE

OPERA & BALLET

COLISEUM. Credit cards 240 5258. Reservations 836 3161. Until June 30. NUREYEV FESTIVAL Evgs. 7.30. Mat. Tomor. 2.30. with LONDON FESTIVAL BALLET. Tonight & Tomor: The Sanguine Fan, Spectre de la Rose, L'Après-midi d'un Faune, Schéhérazade. [illegible]

THEATRES

DUCHESS. 01-836 8243. Mon. to Thurs. Evgs. 8.00. Fri. and Sat. 5.30 and 8.15. OH! CALCUTTA! "The nudity is stunning." Daily Tel. Ninth Sensational Year.

FORTUNE. 836 2238. Evgs. 8.00. Mats. [illegible]

THEATRES

ROYALTY. CC. 01-405 8004. Monday-Thursday evenings 8.00. Friday 5.30 and 8.45. Saturdays 3.00 and 8.00. BUBBLING BROWN SUGAR. The Award-winning all singing all dancing hit musical.

[illegible]

CINEMAS continued on Page 13

iema

Love All by NIGEL ANDREWS

s (A) Plaza 1
Kids Are Alright (A)
to
usic Machine (A) General
ase
ride Week Scala

one for tennis?

wd timing has brought s to us a week from edon. Have you ever l to wonder, as you watch an's Final in that august championship, what goes he secret lives and minds participants? Did they good breakfast? Are they in their work? Do they personal problems? Have ecently fallen (a) in, or ut of, love?

ase you have not won- *Players* does so for you. ng boldly *in medias res*, ronts us with Wimbledon Day. The sun shines, Dan l warbles from the com- y box, and the scene is or a titanic struggle n the putative world ion Guillermo Vilas l by the real Mr. Vilas) seeded challenger Chris nsen, a movie figment by Dean-Paul Martin. nock-up over, the match Mr. Christensen loses st game, on his service. arcely have we put our into metronome motion ch the to-and-fro of the an we are rudely whisked from Wimbledon into a ck. And what a flash- with interruptions it p most of the rest of the

I've never seen a film which treats its audience so unceremoniously. The back-and-forth between past and present begun in this time-leap continues throughout the film. Whenever the movie returns to Wimbledon, for brief progress reports on the match, it guarantees withdrawal symptoms for lovers of lush Hollywood soap-opera, who are provided for in the central, flashback tale of a see-saw love affair between Mr. Martin and rich, beautiful soft-sculptress Ali MacGraw. And whenever it moves *away* again from Wimbledon, it will cause pain to tennis lovers, missing precious games in what looks like a high-calibre five-set match.

Trying to please two separate parties, the film seems designed to infuriate both. Which is all the sadder since the romantic section is a rare and wonderful megalith of Hollywood tinsel. From humble beginnings as a tennis "hustler" (fleecing crooked bets, with the help of a partner, from the crowds at his matches), we watch Dean-Paul Martin graduate to potential tennis champion. He does so chiefly thanks to the love and encouragement of Miss MacGraw, whom he first meets after rescuing her from a crashed red Jensen in Mexico and with whose help he builds up his fitness and his tennis muscles.

Love blossoms; but there is a canker in the rose. Miss MacGraw keeps flying off to Nice on obscure trysts. Her destination, we in time discover, is a Mediterranean yacht whose owner Maximilian Schell is her patron and lover. Mr. Schell varies his time between subsidising her soft-sculpture when she is afar and whispering sweet breakfast menus in her ear when she is near.

Can the pure love between her and Mr. Martin win out over the mercenary love between her and Mr. Schell? A question rendered all the more urgent when she makes her climatic getaway to Nice on the very eve of the Wimbledon Finals. Will she come back? And if she does, will it be for good? And will it be in time to rally Mr. Martin's *spirits for the big contest?*

Weaving in and out of this two-hour Panavision folly are such "real" tennis personalities as Pancho Gonzales (as Mr. Martin's coach), Ion Tiriac, Ilie Nastase (stamping on his racket) and John McEnroe. They should all be turning in their massage-rooms at some of the liberties *director* Anthony Harvey takes with the game in the name of hyping up the *drama. Sample howler: a net* judge calls "fault" when a service hits the net and falls the server's side. When not perpetrating inexactitudes, however, Harvey does a good job with the game. Dean-Paul Martin, son of Dean, wields a dashing racket and the camera-shots linger long enough on the rallies to deter any suspicion that the good play has been manufactured solely by *trompe l'oeil* editing.

As for the intervening soap, there is nothing Harvey can do to lend it substance rather than froth. But at least it has a sort of crazy, mercurial stylishness, and Miss MacGraw has graduated from *Love Story* — where she is now posthumous —to lend a high-boned, raven-haired *dignitas* to the proceedings.

*

The Who are also looking a trifle posthumous these days. The halcyon antics of this West London rock group—who led the field in guitar-smashing, on-stage explosions and other elaborations of the musician's art—have been upstaged of late by the era of Punk. True nastiness has taken over from pantomime nastiness.

Still. The Kids Are Alright is a cheerful, freewheeling documentary celebration of The Who's ten years at the top of show business, which suggests that they are iconoclasts and witty anarchists first, musicians second. They do a short-order destruction job on Russell Harty, for example, that is wondrous to see. Poor Mr. Harty, looking like a discomfited elk, prods out polysyllabic questions at them only to receive Wild-Man-from-Shepherd's-Bush sounds and gestures in response; and from Keith Moon an impromptu striptease.

Up on stage—of which there are plentiful clips—The Who have a glory all their own. "If you steer clear of quality, you're all right," guitarist Pete Townshend, says to one interviewer, and The Who's on-stage manifestations are loyal *to this motto.* The music does have its compulsive attractions, chiefly noise and beat, but "quality"—*qua* refinement or Taste—is defiantly absent. They were among the first of the "mixed-media" groups in pop music—as concerned with presenting spectacle as sound—and I defy anyone not to warm to the antics of Pete Townshend, a lanky gnome doing windmill motions with his guitar arm or performing airborne splits, or Keith Moon, snarling like the MGM lion from behind his armoury of drums and cymbals.

Film-maker Ken Russell appears in prophet hair and with studded denim jacket to wag a finger at Britain—"This country's in a weird, feeble and grotesque state . . ."—and to tell us that The Who are just what we need. Perhaps they are and we do. Make up your own mind on the point by seeing the film.

*

The Music Machine is a small British mouse trying to roar at the American box-office lion *Saturday Night Fever*. Its courage is most of what it has going for it: for talent is in short supply. Gerry Sundquist and Patti Boulaye star as the youngsters aspiring to glory in a Disco Dance Contest; the "Music Machine" being the name of the discotheque in question, a drab-looking converted theatre somewhere in the purlieus of London whose glamourlessness the movie tries to camouflage by big lighting *effects*.

Credibility-wise, the film comes a cropper almost at the first hurdle. Gerry Sundquist is a likeable, bouncy actor with bright blue eyes and a flop of blond hair; but he cannot dance to save his life. Apeing here the Terpsichorean antics of John Travolta — the pigeon-chested stomp, the piston-like right arm, the sudden head-turns — Sundquist looks a brave trier hopelessly lacking in any natural flair. His fellow competitors, whom we are supposed to believe that Sundquist justly beats, are wing-heeled Fred Astaires by comparison.

Around the edges of the Disco contest are the tatters of a silly sub-plot about a movie producer who wants to sign up the winners for a film: thereby causing much jealousy and dirty work *among the participants clamouring* to reach the finals. James Villiers, Ferdy Mayne and Michael Feast are among the stalwart British character actors trying to lend conviction to the proceedings; and they are still there, bravely saluting, as the movie sinks slowly beneath them.

*

To coincide with Gay Pride week, the Scala cinema is presenting a week-long season of "Gay Movies": running from this Saturday to next Friday. For the converted or the unconverted. It's an excellent programme: films by Fassbinder and Schlesinger, the enthralling American gay documentary *Word Is Out*, another opportunity to see Britain's *Nighthawks*, and a rare chance to see curios by such as Kenneth Anger and Jan Oxenburg.

Dean-Paul Martin and Ali MacGraw in 'Players'

a House, Zurich

Norma and the Dutchman

by RONALD CRICHTON

June Festival at Zurich opera programmes from ecent home repertory, ne of two new producach year. Munich, on a r scale, does the same. ummer there will be an n to Harnoncourt and le Monteverdi cycle , some might say), that ready travelled far and in the form of a staging Eighth Book of Madri- Meanwhile, there are performances of produc- not likely to have been y summer visitors, cast ongly as circumstances Circumstances notori- include a tendency for rformers to fall more and frequently victim to ill- or accident. Margaret who sang Norma at during the past season as to have repeated the on June 9 became ly indisposed" and had replaced at the last it—Normas don't grow s.

only the operatic world On the day after *Norma*, I was listening to *Der de Holländer*, across the the Zurich Tonhalle the Michelangeli had the eared in the interval of *hony concert*. He wanted the instrument on which s due to play Beethoven's r Concerto. It seems that r-conditioning had gone ter the rehearsal and sub- hall and piano to extreme tions of temperature. The artist, being unwilling to take the responsibility of interpreting Beethoven under such conditions, the audience went home.

The substitute Norma was Maria Luisa Cioni, evidently experienced in the great role but understandably *ill at ease in an* unfamiliar production. Once the hazards of "Casta diva" were past, Miss Cioni, in tone of variable quality, achieved some striking and expressive phrases. Miss Nafé's Adalgisa (she was also a replacement, though not a last-moment one) glowed with youthful vitality: an attractive and promising performance. The Pollione of Bruno Prevedi is more acceptable, more conceivably pro-consular, than most. Matti Salminen's Oroveso was a rock of strength. The tiny parts of Clotilde and Flavio were unusually well taken by Nelly Skolnik and Giorgio Aristo. Nello Santi conducted.

On the folowing evening, the one-act version of *The Flying Dutchman* was mainly remarkable for the fine Senta of Hildegard Behrens. The tone was basically white yet able to expand and take colour at will. Often when it seemed the limit had been reached there was more to come—haunted, concentrated, also strong, compact and fearlessly projected. The Ballad, sung with high intensity (and prominent intakes of breath) was properly the kernel of the opera.

Simon Estes, hero of the other, very different *Dutchman* at Bayreuth, sang the title-role. There he had to start "Die Frist ist *um" on the floor. At Zurich he* was merely obscured by the rigging of Daland's ship (it is only *fair to say that, this little miscal*culation apart, Claus Helmust Drese's production was straightforward—no attempt to see the *action through one character's* eyes). Mr. Estes is too physical, too much the man of action for the brooding side of the part, but such fine vocal quality is preferable to barking and woofing by baritones who can more strongly suggest mystery. Salminen, the invaluable, sang Daland. Ferdinand Leitner conducted. The Zurich chorus, stodgy in *Norma*, gave their all in *The Dutchman*.

It was fascinating to hear these two operas on successive evenings. To the young Wagner *Norma* was a great modern work: only ten years separate *their composition and 12 their* respective premieres. There was an additional link on this occasion. During the preparations for *Norma* in Zurich a manuscript score was unearthed in the archives dating from a production in 1850 which Wagner conducted (in this theatre's predecessor), apparently containing several adjustments to the scoring in his hand, mostly concerning the wind, and based on material prepared by him for performances in Riga. For the present production Bellini's *Urtext* edition was preferred. It would all the same be interesting to hear Wagner's edition. Since we have had his version of Gluck's *Iphigénie en Aulide*, perhaps some enterprising gramophone firm will issue his *Norma*.

Niagara-on-the-Lake

Shaw and Williams by B. A. YOUNG

Like other Shaw (and indeed Shakespeare) Festivals, Niagara-on-the-Lake doesn't stay exclusively with its principal, though it gives him a better proportion than Malvern. Easier, of course, with a four-month festival than a three-week festival. This year, with Leslie Yeo as artistic director, there are three Shaw plays—*You Never Can Tell*, *Captain Brassbound's Conversion* and (at lunchtimes) *A Village Wooing*—and two pieces about Shaw, Jerome Kilty's *Dear Liar* and a one-man show compiled and played by Michael Voysey, *My Astonishing Self*, a polyvalent anthology of Shaviana.

Other writers are worthily represented by Emlyn Williams's *The Corn is Green* and Noël Coward's *Blithe Spirit*. If you seek for something more intrinsically Canadian, there is Victor Sutton (not in the official Festival) with an evening of Robert W. Service's verse, *Dangerous Dan McGrew* and all.

Leslie Yeo directs *The Corn is Green* and contrives to surmount the two salient hurdles without difficulty. The hurdles are the lack of boy actors and the need for fluent Welsh. They are simultaneously cleared by a sweet actress named Peggy Coffey, who becomes a convincing 13-year-old boy and pipes her way through the Cymric jungle as if she has done it all her life, thanks to instruction by the Vicar of a local church. The rest of the boys are pretty mature, Peter Hutt as Morgan Evans among them.

I liked Mr. Hutt until his education began to show. He is as boyish as anything while he is taking time off from the mine to attend Miss Moffat's amateur school; but a glance at Oxford makes him too sudden a gentleman, with respectable attitudes to go with his respectable clothes. His devoted teacher is given a notable performance by Mary Savidge (who has just been playing opposite Sir John Clements in Edmonton, Alberta). She emphasises the hard, unsympathetic qualities in the part with such obvious belief in their goodness that she enlisted me on her side. Yet what a nasty lady this Miss Moffat seems to be. Did Mr. Williams really recall his Miss Cooke like that?

The gallery of stock types around her are done with proper expertise; not wholeheartedly Welsh, perhaps, save for Eric House's John Goronwy Jones, but not obsessively North American. Tony van Bridge's conception of the Squire verges on parody. He is back in *Thark* as I remember him two years ago, liable at any minute to challenge Mary Honey's Bessie with "You *are* a good girl, aren't you? Then don't waste my time." The set, designed by Maurice Strike, looks as if it were made of milk chocolate and contains a door into the servants' quarters with a Norman arch that looks rather unWelsh.

Tony van Bridge is the director of *You Never Can Tell*, and he shows the same concern for visible comedy. Subtleties galore in Shaw's dialogue are simply passed over; for example, when Gloria tells Valentine that his extreme praise is "rather personal" she is making a joke, or anyway Shaw is, yet at Niagara Merrilyn Gann is simply aiming at a rebuke. Mr. van Bridge's jokes *are simpler than Shaw's*. Dolly and Philip (Mary Honey and Christopher Gaze) are in a kind of fancy dress throughout, and they move in unison like a vaudeville double act.

Valentine, appropriately played by James Valentine, is far from "high-spirited," which is what William the waiter calls him. He is solid and unromantic, with occasional cadences in his voice that recall Robertson Hare, and outbursts of what sounds more like political than amatory passion. But it is only fair to say that on the evening of my visit he was not well.

There is another admirable performance by Miss Savidge as Mrs. Clandon, and I liked Merrilyn Gann's half-heartedly intellectual Gloria. The old have it over the young. Sandy Webster as McComas and Leslie Yeo as William both for some reason gave me a feel of the Abbey in Dublin—Mr. Yeo because he sometimes made me think of Cyril Cusack. Jack Roberts' idea if a persuasive lawyer depends on his ability to talk louder than anyone else.

A curious feature both of Valentine's consulting room and Mrs. Clandon's immense hotel sitting-room is that the mantels are head-high and the pictures hung above them almost out of sight.

Peter Hutt and Mary Savidge in 'The Corn Is Green'

Elizabeth Hall

Michael Ponti

by DAVID MURRAY

Mr. Ponti has an extensive repertoire as well as notably dexterous fingers: lovers of neglected 19th-century music have reason to be grateful for all his recorded explorations. The least familiar of the older works in his programme last night, Rakhmaninov's early Variations on a Theme of Chopin op. 22, was also the most convincingly fluent, delivered with bright, engaging ease and the right hint of metallic gleam. It was curiously dispassionate, innocent of any withers-wringing: but here it is the instinctively idiomatic piano writing that counts most, and Ponti did it lively justice.

Ponti's particular speciality is a super-speedy spiccato, brilliantly light, which he exploits happily and often. In a Haydn Sonata in C he indulged it rather at the expense of the thoughtful weight of the Andante con espressivo. Iain Hamilton's 1973 Sonata was commissioned for Ponti, however, and it draws knowingly upon his special gifts to great effect. Inspired by Cicero's "Dream of Scipio," it builds up trills and racing figures within *a sonorous full-keyboard tex*ture to a visionary, timelessly revolving final section. A degree of raptness seemed to be wanting at the end — metaphysical fervour is not Ponti's strong suit — but in all other respects it sounded a scrupulous performance.

The four Ballades of Chopin were offered with expert loyalty, without bravura misdirection and yet tantalisingly incomplete. The simplicity of the *second Ballade's opening* was admirable, and its later A minor furies were no more hectic than the music invites; and Ponti's angular, slightly breathless treatment of the long melody of the Fourth justified itself. What was not to be heard was the grand sea-swell of the rhythms: Ponti's were neither stiff nor choppy, but they never accumulated the long-range power to carry through the great climaxes, and mere rhetorical insistence had to do duty for them. There was too little tension in either the First or the Third to make full sense of their perorations, and the magnificent expanses of the Fourth were reduced to short-breathed phrases. There was much that was fleet and delicate notwithstanding—and a persistent sense of unfulfilled *possibilities in the playing: as* if the pianist were somehow reluctant to address himself fully to the music.

Festival Hall

LSO/Tennstedt

A glorious, exhilarating Bruckner 7 from Klaus Tennstedt and the London Symphony Orchestra last night. After the debilitating, sickly, oppressive meaninglessness of Karajan's account of the Eighth Symphony on Tuesday, this was both refreshing and reassuring: Tennstedt proved that Bruckner does not have to be played with all the accents ironed out, all the articulation missing, in order to convince.

Indeed, his Bruckner, is full of light and shade: the rhythms *bounce like a peasant dance, the* melodies are not only shaped with natural grace but also have room to move and breathe, and the orchestral texture is finely, clearly balanced. Tennstedt moulds the music with responsive grace; his genius is not so much for architecture as for breathing life into the transitions and sudden shifts of key, drawing out the climaxes with a *firm—never vulgar—touch*.

On this occasion the LSO responded with the most splendid playing I have heard in this 75th anniversary series: crisp, unanimous, alive, and in some departments (lyrical first flute, restrained brass, perfectly clear timpani) uncommonly distinguished. In the first half, the cellist David Geringas made an uncertain stab at Schumann's Cello Concerto: his technique and his sound were both impressive, but he seemed to do himself less than justice, producing only a flawed, uneasy lyricism.

NICHOLAS KENYON

Tom Stoppard wins German award

Tom Stoppard was awarded the annual Shakespeare Prize by the FVS Foundation—the leading West German literary institution in Hamburg recently. The prize of DM 25,000 (about £7,000) and a stipendary of DM 7,200 was presented to Mr. Stoppard in Hamburg City Hall by Professor Rudolf Haas, of Hamburg University.

Lawrence portrait exhibition

The Sir Thomas Lawrence exhibition by the National Portrait Gallery which opens on November 9 at the exhibition rooms at 15 Carlton House Terrace, London SW1, will be the first ever to assemble both drawings and paintings by him from public and private collections abroad—notably the U.S., France and Germany—as well as from Britain and Ireland.

Among paintings being lent from the U.S. is the portrait of Mrs. Wolff (from the Art Institute, Chicago), a close friend of Lawrence and the full-length portrait of the actress Elizabeth Farren (from the Metropolitan Museum, New York). This picture, first shown at the Royal Academy in 1790, helped to focus public attention *on the ability of the young* Lawrence.

Lawrence's other great success at the Academy in that year was his full length of Queen Charlotte (National Gallery) and those portraits will be brought together again after nearly two centuries.

The Queen is lending to the exhibition the portraits of the Czar Alexander I and of Pope Pius VII.

FINANCIAL TIMES
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Friday June 22 1979

A costly EEC farm package

BRITAIN'S easy acceptance of yesterday's EEC farm price package in Luxembourg is, on the face of it, surprising. During his few weeks in office, Mr. Peter Walker, the Minister of Agriculture, has not gone as far as his predecessor, Mr. John Silkin, in opposing increases in the Community's common prices. He did not, for example, follow the pugnacious Mr. Silkin in threatening to veto anything other than a complete price freeze this year. He did, however, in the run-up to the annual agricultural marathon, indicate that he was in favour of freezing prices for all major products, such as milk, sugar, cereals, beef, pig meat, fruit, vegetables, wine and olive oil, many of which are in surplus. The Tories have been no less insistent than the Labour Party on the need to reduce the cost of the Common Agricultural Policy by eliminating surplus production.

Dairy tax

Yet Mr. Walker yesterday accepted an overall 1.5 per cent increase, with only the milk price frozen. This appears to have been in return for agreement in principle to the UK demand for a 5 per cent devaluation of the green pound, the unit used for translating the common prices into British prices. Attempts by the European Commission to step up taxation on dairy farmers, as a disincentive to surplus milk production, were defeated. France, which had opened the proceedings with a bid for a 2 to 3 per cent average increase, appears in the end to have things very largely its own way. Had Mr. Walker wanted, he could have dug in his heels and postponed the whole decision, probably until the autumn — although admittedly at the risk of considerable unpopularity with some of his partners.

Therein, of course, lies one of the possible explanations of Mr. Walker's action. The new Government has said it will adopt a "new and co-operative" attitude towards EEC negotiations, and it is clear that the exercise of a national veto at one of the first major meetings to be attended by a Conservative Minister would hardly have squared easily with that approach. It is equally true, as British officials were pointing out yesterday, that the 1.5 per cent increase is the lowest for many years, and less than last year's 2.5 per cent. In Mr. Walker's view, it is a first step towards bringing down the cost of the EEC farm budget, which accounts for three-quarters of Community expenditure.

Nevertheless two things are clear. The first is that Mr. Walker weakened his own negotiating position by arriving in Luxembourg with the demand for a 5 per cent devaluation of the green pound. He was effectively asking for an increase in British farmers' incomes while advocating a freeze on those of farmers in the rest of the Community. The second is that his conduct in Luxembourg bitterly disappointed the Commission, which had regarded the UK as its single most important ally in trying to curb surplus production. Earlier this week, British officials were still stressing that they supported the Commission's proposals for a price freeze. Yesterday the Commission publicly expressed dismay at being left in the lurch.

It seems odd, to say the least, that one of the Government's acts should be to agree, with unexpected rapidity, to a decision that will increase the Community's 1979-80 farm budget by some £900m, according to first Commission estimates. One of Mrs. Thatcher's main aims at the Strasbourg EEC summit that is now under way is to argue for budgetary reforms that would reduce the high level of the UK's contribution —a phenomenon largely attributable to the heavy predominance of farm spending in the overall budget. Less surprising, perhaps, is the Government's desire to boost British agriculture at the expense of the retail price index.

Irritant

One can argue, of course, that the farm package could strengthen Mrs. Thatcher's hand in Strasbourg. She can put the point that Britain is now manifestly much more prepared to take account of its partners' wishes and has behaved in a genuinely *Communautaire* manner in Luxembourg. She can underline the need for budgetary and agricultural reform by drawing attention to the massive increase in EEC expenditure entailed by only a minimal rise in farm prices. Again, she can argue that Britain has removed a major potential irritant in time to facilitate a successful summit. What cannot yet be judged with any degree of certainly is how far it was all premeditated.

UK banks near corset limits

THERE IS A widespread expectation that the recent upsurge in bank lending is going to lead banks in Britain into their first-ever large-scale infringement of the provisions of the Bank of England's corset. Since the corset—a limit to the permitted growth of each bank's Interest Bearing Eligible Liabilities—was imposed in June, 1978, the volume of IBELs has increased, on the three-month moving average specified by the Bank, by 9 per cent to May, against a maximum permitted rise of 11 per cent. In the banking month to May 16, alone they rose by 4 per cent.

There are mixed reports as to whether the June banking figures will be the first to push some of the major banks into the penalty zone. But there is broad agreement that whereas on the two previous occasions, in 1913 and 1976, on which the corset was imposed, the move coincided with the top of the borrowing cycle, the decision in this Budget to extend the corset was taken with loan demand still moving firmly upwards. Corporate liquidity has been falling, and the consumer probably borrowed substantially to finance his pre-VAT spending spree.

Loan demand

The banking sector has never yet experienced the effect of having major banks firmly up against their corset limits. It is waiting to see what curbs will be employed and what forms of disintermediation — the process by which credit by-passes the banks—will flourish. Till now the banks have not yet been forced to take the corset very seriously, partly because loan demand did not warrant it, and partly because they were able to use cosmetic measures to substitute other forms of liabilities for IBELs. In the first six months of the scheme they managed to lose £2bn worth of IBELs while boosting bank lending to £2.5bn.

The bank could, in theory, accept a short-term move into the penalty zone because the fine for the first three per cent of forbidden growth in IBELs is not very heavy. They are unlikely to do this, intentionally, however, because fine-tuning is difficult and an overshoot into a higher zone would become expensive.

The Governor of the Bank of England stated during the winter that lending to industry would not suffer as a result of the corset. So it is probably fair to assume that, in line with its bank lending guidelines, the Bank will exort the banks to rein in their overdraft facilities to the consumer.

The Bank will also have to keep a close eye on the flow of non-bank financing, for such a development would introduce an increasing air of unreality into the Money Supply figures. Acceptance finance, on which the Bank keeps close tabs, has at times reached £800m in the past twelve months. The other developments to watch out for are the intercompany money market — so far quiescent — and non-bank leasing. Fortunately the bulk of leasing takes place via banks and is thus under corset control.

Nevertheless it is blatantly inconsistent with the Government's strategy that tax breaks encourage an increase in this form of bank lending and also encourage companies to lease other companies' equipment in a fashion which the corset does not control.

These distortions in the pattern of finance are what the Bank of England likes least about the corset, together with the fact that it tends to freeze competition in the banking industry.

Nevertheless the Bank still feels the need for some control mechanism that will act on bank financing more swiftly than (politically distasteful) interest rate increases. Without the corset the unexpected increase in MLR would presumably have to have been larger still.

Alternative

If te corset really squeezes this time, the side-effects could stimulate the search for an alternative which does not have the distorting influence to which corsets are prone. The treatise in the Bank of England Quarterly Bulletin on control of the monetary base, as practiced in other countries, is a clear hint that the Bank is already thinking about a radically different approach which could render the corset obsolete.

Electronics: all set for takeover battles

BY MAX WILKINSON

ALL THE SIGNS are pointing towards a major re-organisation of the British electronics industry — sooner rather than later. It may well start this summer.

The stakes for the companies likely to be involved are high, with perhaps as much as £1bn of annual sales to be taken away from the weaker companies and re-distributed amongst the predators. Many analysts predicting an upheaval comparable in scale to the great takeover struggles of the late 1960s. The General Electric Company then emerged undisputed victor after carrying off English Electric and Associated Electrical Industries; it has spent the best part of the decade digesting these important groups and making them profitable.

It is clear that the shape and management of any new grouping will be of the greatest importance to the British economy as a whole, because electronics is one of the fastest growing of industrial sectors. It is a sector in which British performance is quite good, but in many respects dangerously less good than it might be.

In some parts of defence electronics, radar communications and capital equipment, British expertise is still very high. But in some of the highest growth sectors like electronic office machines, consumer products, and industrial control systems, it is patchy or weak.

Perhaps the most worrying fact is that several medium-sized companies with famous names have been consistently failing to show the growth, the profit or the investment which could assure them of keeping ahead of competitors in the U.S., Japan and Germany. These companies were clearly identified in a detailed five-year analysis by Vickers da Costa, the stock brokers, recently. It graded the 27 leading UK electronics companies on a series of performance indices including profit, value added, productivity and cash flow ratios.

Plessey, the second largest electronics company in the UK, was ranked in the worst of six categories alongside Decca. Ferranti came in the second worst category, although it has shown an impressive recovery since producing the figures on which the analysis was based.

GEC was placed in the second category of "high general performance"; Thorn, the consumer electronics, lighting and domestic appliance group, came in the third group as "good standard"; Racal, the military communications company came top of the list as an "exceptional performer."

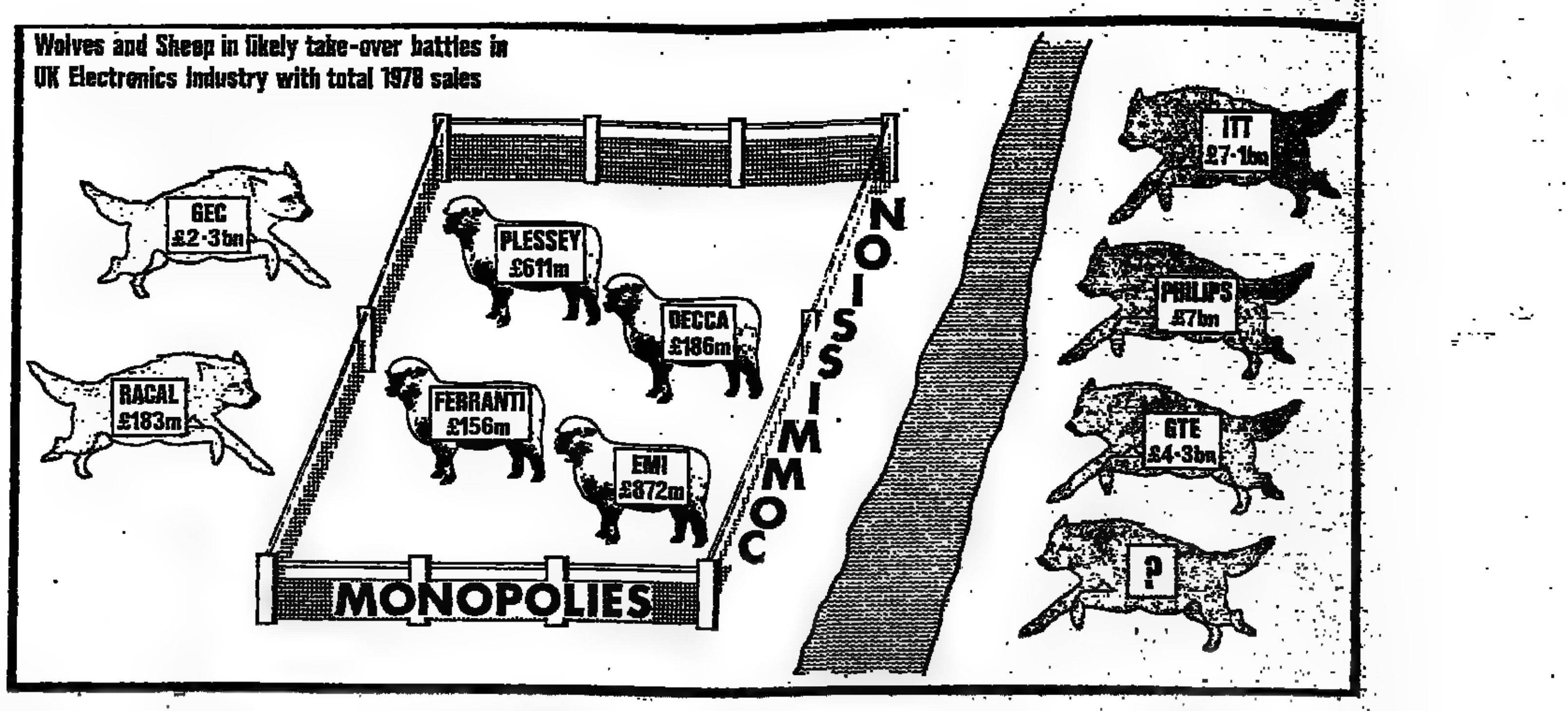
These purely financial calculations closely match the views of analysts who approach the industry on wider criteria. Another stock broking firm, Buckmaster and Moore, for example, in a perceptive assessment of the 10 largest UK electronics companies, say: "We expect the most powerful firms—GEC, Thorn and Racal—to be the most important in 1984 . . . On their own Plessey and Decca are unlikely to survive, and unless a massive investment is made in it, International Computers Limited (ICL) will find problems in this period."

Similarly, Mr. Ian Cole, the distinguished electronics analyst at James Capel, said: "A lot of market pressure for rationalisation has been building up together with the personal and corporate ambitions of some of the companies. One relatively small move could release the tension with a domino effect throughout the industry." Mr. Cole believes that there is a growing recognition amongst the larger investors that the UK electronics industry is too fragmented and that rationalisation is needed to improve general performance and to make better use of skilled manpower and other resources.

Without question, the most restless predator in the field is Racal which has achieved astonishing growth in the last 10 years based mainly on its range of tactical military radios. However, the company has successfully broadened its scope, and its management of production and research both appear to be impressive. Its growth in sales and pre-tax profits has been between 50 per cent and 60 per cent in the last two years. Its acquisition of Milgo in the U.S. has been highly successful. The company is now looking for new areas of growth, probably by further purchases.

Mr. Ernest Harrison, Racal's nimble-witted chairman, has often said he would like to take over Plessey and try to improve its performance with a new management structure. However, Plessey's heavy involvement in the troubled telecommunications industry almost certainly makes it too big for Racal to digest at present, except by a friendly merger. Racal could be ready to pounce if Plessey's telecommunications division were to be merged with that of either of its rivals, GEC or Standard Telephones and Cables (owned by ITT).

For this reason a merger in the telecommunications field would probably start a chain reaction of takeovers. However, strenuous attempts by the Department of Industry and the National Enterprise Board to promote such a merger have so far failed. The most likely first move would therefore be a decision by the Government that the NEB should sell its majority holding in Ferranti back to the private sector. Sir Keith Joseph, the Industry Secretary, is at present considering whether and how to take this step. Much will hang on his decision.



Monopoly danger

Racal would certainly like to gain control of Ferranti if it were on the open market because the two companies have complementary skills making defence equipment. Ferranti would also make sense as an acquisition for GEC, which could absorb the control and automation, defence equipment and components activities quite well. GEC, however, must be careful about the likely reaction of the Monopolies Commission and the new Government to such a proposal.

Sir Keith may decide to forestall a possible take-over battle. He could do so, for example, by offering Ferranti shares for sale indirectly through a new holding company which would include other parts of the NEB's electronics holdings, notably its minority stake in ICL. This plan is favoured by Sir Leslie Murphy, the NEB chairman.

Sir Keith thus faces a dilemma. He may allow the free play of market forces to determine Ferranti's future, or he may protect it. But if he protects it, he will have to consider whether he has, or is likely to have, a better structural plan for the industry than the market would bring about.

The other possible trigger for a restructuring of the industry would be a change of policy at Decca. Sir Ted Lewis, chairman and founder, now in his 80th year has been a strong opponent of merger suggestions. However, Decca faces some formidable problems with very unprofitable television manufacturer added to increasing foreign competition in its traditional radar and navigational aids markets. The company is believed to have been talking to Philips and General Telephone Electronics of the U.S. about the sale of its television manufacturing. It may also have been talking on a wider basis about joint ventures. Sir Keith visited the company this week to find out its views on the industry.

Decca, like Ferranti, could fit well with either GEC's Marconi division or with Racal. However, once bidding started there would probably be other contenders. Thorn has declared that it is out hunting for acquisitions "in the U.S. and Europe." And though it would not make the first move, it would be intensely interested in any new carve-up in the UK. Similarly, STC, which is floating 15 per cent of its shares on the UK market, has said that one motive could be the possibility of making acquisitions. Moreover, several outsiders like Hawker Siddeley with cash to spare and a close interest in electronics could move in.

So much for the possible wolves. Amongst their possible prey, one must include Electrical and Musical Industries, because of its recent problems with medical electronics and the top management changes. The promotion of Lord Delfont to be Chief Executive could indicate that the company may concentrate on its leisure activities and sell all or part of its electronics.

EMI shares the problem of several of the smaller companies. It has excellent engineers and good contracts with the Ministry of Defence, but is really too small to compete with the international giants. The sad rise and fall of its X-ray scanner illustrates the point. It was a superb invention which was battered into unprofitability by the muscle of competition in the U.S., Japan, and Germany.

The questions raised will inevitably involve Sir Keith and his cabinet colleagues, however much they may dislike central planning. There are three reasons: the Government and state enterprises are major customers of all the companies; the NEB is so havily involved in the strategy for the industry that even a decision for it to sell out would have a major effect; finally the Monopolies Commission could determine the manoeuvres made by private sector companies, particularly GEC.

So what, finally, is the case for a further rationalisation with all the attendant risks and disturbance? Perhaps the most compelling argument is that if Britain is to increase exports of electronic goods, every penny of research and development must be made to count. Research must, moreover, be co-ordinated with an overall marketing strategy. The four "sheep" represent electronics sales of more than £1bn and therefore research and development expenditure of around £100m, which at present is fragmented.

The impressive performance of the large national groupings in Europe shows the advantages of firm and co-ordinated management over a wide range of activities. Siemens of Germany and Thomson CSF in France, with sales in 1977 of £6.3bn and £1.2bn respectively, are the outstanding examples. In both countries the concentration of power has been more or less helped by Government policy and public purchasing decisions. In France the growth of Thomson has been part of explicit government strategy.

Large groups not only can co-ordinate research and marketing, but also benefit from the often unexpected synergy between separate technologists. Telecommunications and computers is an obvious example.

Add to this, the chronic shortage of electronic and computer engineers in Britain, and the case for rationalisation becomes very strong, always provided that management is good. If the most important competition in future will be international, pressure may grow to modify the objections to monopolies raised in the 1960, at least for this industry.

In that case GEC might once again be allowed to expand, and to be counterbalanced by a smaller, faster growing group centred on Racal. Sir Keith will have to ask himself "Is that desirable?" and then, perhaps, "Is it possible?"

TOP UK ELECTRONICS COMPANIES AND PRINCIPAL PRODUCT AREAS

	Computers	defence/capital electronics	telecoms/datacoms	consumer products	components	Total sales in these areas £m.
GEC	X	X	X	X	X	700
Plessey	—	X	X	X	X	620
ICL	X	—	—	—	—	510
Thorn	—	X	X	X	X	400
Rank	—	X	—	X	X	250
EMI	—	X	—	—	X	240
Racal	—	X	X	—	—	185
Ferranti	X	X	—	—	X	140
Decca	—	X	—	X	—	140

Sales estimates: Buckmaster and Moore

MEN AND MATTERS

Collision on the cocktail circuit

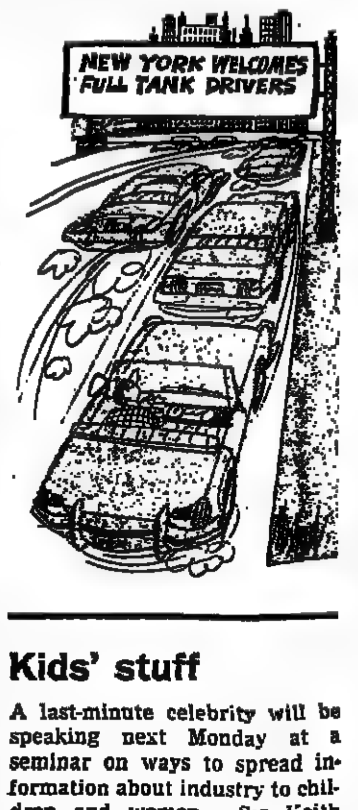
For those on the London diplomatic circuit, it will be something to watch when the Pakistan ambassador, Brigadier Fazalur Rahman Khan, next bumps into his counterpart for the United Arab Emirates, Mohammed Mahdi al Tajir.

Mahdi al Tajir, commonly held to be one of the world's richest men, is the publisher and owner of "8 Days." This new weekly magazine, primarily concerned with Middle East affairs, publishes in its latest issue a long, powerfully-worded "cover story" entitled "How Pakistan Fooled the World—and Got the Bomb." On the cover is a lurid depiction of Pakistan's General Zia, amid flames and smoke.

The technical precision of 8 Days' "world exclusive" on Pakistan's imminent capability, is another matter, but the political consequences in the Middle East may be explosive. It is pointed out that the Saudis have given Pakistan much financial help and that the vision of an "Islamic bomb" was even propounded by Bhutto from the condemned cell. Yesterday I learned that the Pakistan embassy will "certainly do something" about the article, which it accuses of "trying to create misunderstanding" on an already sensitive topic.

The magazine's editor-in-chief, Colin Chapman, says that owner Tajir knew nothing about the article before it was published. "We have a free hand with the editorial contents," insists Chapman. The ambassador could not be reached for his comments on reports that the United Arab Emirates themselves once gave Pakistan financial aid for nuclear research.

A further twist to the affair is that the article was written by two Sunday Times journalists, features editor Tony Bambridge and reporter Philip Knightly. It was to have been used as a "blockbuster" in their own paper. Chapman made a successful offer to the stricken New Printing House Square



Kids' stuff

A last-minute celebrity will be speaking next Monday at a seminar on ways to spread information about industry to children and women. Sir Keith Joseph will be speaking at the Industrial Society, immediately before the launching of a new book, "I-Spy Industry"—which could hardly be more appropriate for someone so urgently seeking the truth in his chosen field.

The book is being produced with "guidance notes for adults." I questioned the Industrial Society about this cryptic phrase; it was explained that the notes were not to make the book easier for parliamentarians and other interested parties, but would tell how to excite juvenile interest.

Next on the programme is a "celebration lunch—McDonald's hamburgers and strawberries." Why plug McDonald's, at a time when our balance of payments give cause for thought? "They come in such convenient packs," I was told. It is perhaps fortunate that the pressures of the House will not allow Joseph to stay to confront this spicy temptation.

Wong's number

The Post Office makes it sound very simple: international exchanges use only two languages, French and English. If a subscriber wants to find out a number in Canton, he asks the operator. The operator rings Canton. "Bonjour," says the operator in Canton. "Monsieur F. Wong, 23 Avenue des Revisionistes," says the English one. The Chinese operator looks up Mr. Wong, transcribes the characters, and then translates them into French. In practice, this process is often very time-consuming, not to say expensive (the subscriber pays for two calls to China).

It is not surprising to find that there already is a proliferation of specialised/directories (in English) of the Middle East, none of them cheap. And an entrepreneur in Hong Kong has just published one of the world's more expensive telephone books—2,500 numbers and addresses in China at $25.

Last orders

Middle-class bathrooms in the northern suburbs of Tehran are alive to the sound of bare feet mashing grapes in the tub. Nearby, bubbles rise from a dustbin holding a concoction of yeast and hops, courtesy of Boots. A great shortage of Ayatollah Khomeini's "Satanic beverages" has made home brew kits the fastest selling line to Iranians travelling abroad—beer, because of its bulk, is in the shortest supply of all within Iran. (A rare case of American Schlaefer lager was on offer last week for £40, £1.65 a can.)

While private industry thrives, the Intercontinental hotel in Tehran should be given an honourable mention in despatches for its valiant efforts to keep the hands of Khomeini zealots off its substantial cellar. When it was forced to surrender last week, £260,000-worth of wine, spirits, beer and liquors went down the drain in a three-day smashing orgy. That estimated loss was based on prices to reprobate foreign guests of £25 for a bottle of French wine and £13 for the local product.

Best value in the Islamic Republic at present is a restaurant which still serves large scotches for £3.35 a glass and a bottle of wine at £6.70. A rival restaurant has taken, less agreeably, to spiking its "special tomato juices" with industrial alcohol.

Whisky remains the most widely available non-industrial, non-bathroom drink. But even this elixir will soon be beyond most pockets. A few days ago a large bottle of Bell's changed hands for the rial equivalent of £60.

If words fail them

British politicians and civil servants going to Lusaka for the Commonwealth Conference in August can take comfort that whatever the other constraints, the inner man will be well cared for. Zambia has ordered 6,000 bottles of champagne, 6,000 bottles of whisky, and 16,000 bottles of wine, to aid the delizerations of the Commonwealth leaders.

Other essentials being flown in to a country where food shortages have become almost endemic includes mushrooms, prawns, crabmeat, Swiss chocolate and artichokes. In fact, Joshua Nkomo's guerrillas might gnd there will be enough to spare for them as well.

Saving it

My friend B. R. Ackenhouse called at his favourite shop in Andorra recently. "Why are all the tops of the light bulbs painted black," he asked. "My wife's idea," said the proprietor. "We were using too much electricity."

Observer

A sense of malaise in Spain

BY ROBERT GRAHAM, Madrid Correspondent

FROM the outside the Government of Sr. Suarez looks like one of uccesses in Western . He has some remarkable ments to his credit. The transition from Fanco-democracy has so far th surprising ease.

has been fully accepted ne comity of Western

country is poised on the old of the EEC. Earlier onth General Motors trated its faith in the of Spain by announc- $1.6bn investment pro- . Yet seen from Madrid cture does have its es.

than three months after office the Government he after general elections discredited by a lack rship and direction. In of serious problems like eriorating situation in que country or the con- economic recession, the nent has failed to rate that it has a t strategy.

uarez is finding it in- ly hard to sustain the of a successful Prime , the hallmark of politics during the past s. He has lost much of e, looks harassed in pub- tends to shelter behind ssociates, especially a Prime Minister, Sr. o Abril Martorell.

officials are also upset extent of argument ministers. It was atic of government ty that following in the daily El Pais of ment within the cabinet y towards the Basque Sr. Suarez and six s signed a letter of hich was shown to the ut then taken back. The government spokesman point of stressing the unanimity of all decisions, scarcely the most convincing means of conveying cohesion.

The general elections on March 1 gave Sr. Suarez's Union de centro democratico (UCD) 167 of the 350 seats in the *Lower House. Though just short* of an overall majority, he was assured support of the eight members of the right wing coalition, Coalicion democratica (CD), and could normally count on the support of other minority parties. In other words, he had the prospect of a perfectly reasonable working majority in parliament. Besides, the electoral performance of UCD in marginally raising its share of the vote to 35 per cent, could be interpreted with justification by Sr Suarez as an endorsement of his leadership.

Langour

UCD may have been made complacent by the election result, judging by the languor *with which Sr. Suarez set* about forming a new government. By the time he was ready the party *had received a nasty jolt* in the municipal elections on April 3 when the Left captured the main urban centres.

That prompted a further period of readjustment, and meanwhile the situation in the country, especially in the *Basque provinces, evolved* quickly. The Government repeatedly gave the impression of being behind events.

The cabinet suffers from having too much authority concentrated in the hands of Sr. Suarez and Sr. Abril. With two political heavyweights excluded—*Sr. Francisco* Fernandez Ordonez, the former Finance Minister, and Sr. Rodolfo Martin Villa, the former Interior Minister—the cabinet is more top heavy than before. One senior administration official confided: "The trouble with this cabinet is that too many ministers have neither political pull nor technical excellence." Sr. Suarez's supporters maintain that he is trying to encourage ministers *to formulate* their own policies, but that everything always ends up on his desk. Others say that junior ministers know that it is useless to initiate anything without first clearing it with him or Sr. Abril, who, they say, is the real force behind Sr. Suarez.

Blurred divisions of authority are a further handicap. For instance, there is, for the first time, a civilian Defence Minister, Sr. Augustin Rodriguez Sahagun, who formerly held the industry portfolio. His job in effect covers arms procurement, and certainly the more delicate task *of dealing with the armed* forces is left to the Deputy Prime Minister and outgoing Defence Minister, General Gutierrez Mellado.

All ministries connected with the *economy*, including the Economy Ministry itself, have to defer to Sr. Abril, who has over*all responsibility. The result is* some confusion both among the ministries and among those who have to deal with them.

None of this is improved by Sr. Suarez's *preference* for backroom discussion and his avoidance of direct contact with the media. He is not a believer in open government and as a result has a poor sense of public relations. By refusing to take the public into its confidence, the Government has allowed itself to appear helpless against the rising tide of political violence that has claimed almost 80 lives this year. When a bomb exploded on May 28 in a Madrid cafe, killing eight persons, the first official comment came three days later. It was an address to parliament by Sr. Suarez who undertook, in ringing tones to support democracy but left the public none the wiser. It is still just as confused over the ugly phenomenon of terrorism. Fairness requires one to add that not only the Spanish Government has found terrorism an intractable problem.

Sr. Suarez: a certain languor.

On the economic front, promised plans have acquired a habit of being postponed and the Government is in danger of alienating both unions and employers. In March the economy looked poised for recovery in mid-year, and there was a measure of confidence in the wake of the election. The subsequent absence of clear strategy has sapped this confidence and the economy is unlikely to pick up before 1980.

Official guidelines laid down at the beginning of the year theoretically apply. But the 6.5 per cent half year inflation target on which all existing wage agreements are predicated will almost certainly be exceeded. The foreseen 4 per cent annual growth rate will probably fall to 2.7 per cent and unemployment, instead of levelling off, will rise by over 250,000 to almost 1.5m. An energy plan, over two years gestating, still awaits formal adoption.

Sr. Suarez until now has had his path clearly signposted. He was chosen by King Juan Carlos and confirmed as *Premier* after the elections in June 1977 to establish the framework of a democratic Spain. He was assisted by a strong consensus among the main political parties and a guiding hand from the King. The elections in March brought an end to consensus politics and the King, in public at least, must now be see as a constitutional monarch. This leaves the Prime Minister on his own in uncharted waters, putting flesh and blood to the bones of the constitution so guaranteeing that democracy *not merely* exists but works.

This can *only* be done properly at the cost of antagonising those pillars of the old regime that remain. The armed forces, the police, the judiciary, the Catholic establishment, and elements of the Franco economic structure have moved under the umbrella of the constitution, but have not changed their complexion very much, if at all . The survival of these important elements of the Franco era has been the price paid for the gradualism of change since the dictator died in 1975.

The military in particular has been treated with kid gloves.

All major decisions since Franco's death have been taken with almost exaggerated nervousness of the military. The Galaxy Plot last November in which a group of officers were allegedly scheming to seize the Government has been glossed over to avoid arousing military passions or alarming the country. But rightly or wrongly it reinforced the residual fear of the military.

The Government has turned a blind eye to several incidents in which the King or the former Defence Minister were insulted by disaffected officers. Fears of upsetting the military have also affected how the Government has dealt with the delicate *issue of reorganising the police*, especially the two para-military bodies, the Policia armada and the Guardia civil. The upper echelons of their officer corps, seconded from the Army, and many ordinary policemen in the para-military units make little effort to hide their sympathy *for the old regime*. In central Madrid Fascist groupings can wear illegal para-military uniforms unhindered. The police continue to be trigger-happy and rough as before.

Catholic

Other problems are in store because of the welter of family legislation that needs to be introduced inceluding laws which will force the Government to define its attitude towards divorce and abortion. This threatens to stir up Spain's Catholic conscience. There is also pressure for the government to extend press freedom to cover television. Television coverage continues to be manipulated in a way that does no credit to Sr. Suarez (a former TV boss) and his Government. The recent weeks of mounting tension in the Basque country have been ignored by a television network whose brief it is to stress normality, shielding viewers from reality by long footage of royal activities. The other day the two main trades union leaders were stopped from appearing 20 minutes before a programme in which they were to argue for the return of union property taken over by the Franco regime.

From being a nagging but bearable sore, Basque nationalism has become the biggest challenge to the State. Sr. Suarez continues to waver on how to approach the need to satisfy nationalist sentiment without creating a federalist precedent. He can point to the *constitution* which rejects a federal solution. He also knows the military commitment to a unified Spain.

However the conservative Basque Nationalist Party (PNV) which claims as much as 65 per cent of local support on this issue is pushing for *de facto* if not *de jure* federalism. The impending sense of confrontation is heightened by the ground swell of support for the radical separatist grouping, Herri Batasuna, which tacitly approves the terrorist ETA and has over 20 per cent of the popular vote. *It is a dangerous* impasse especially if the State's resilience towards terrorism weakens.

None of this is to belittle what has been achieved so far —above all, a democratic electoral process both at national and at municipal level. We may only be witnessing a prolonged pause before Sr. Suarez continues with the daunting problems of making a democratic State function. But there is a danger that the democratic process may slow down. The Government is its *own enemy at the moment*. The mass of Spaniards want it to get on with governing. They certainly reject the military taking a hand. Yet the lack of direction is testing public sympathy and complicating the Government's own task.

Letters to the Editor

T's effect exports

r. A. G. Horsnail.

Nobody appears to have e point, so far as I am that the Budget is of importance to UK s.

Added Tax, it will be is not paid on exports. in a full year, at today's will provide £10.3bn cent) of central govern- venues compared with 8 per cent) last year. ore, exporters are of a considerable tax- rden which, so far as I e, raises their effective mpetitiveness in many markets above pre- evels.

s in other EEC s, VAT is more compre- y applied across a wider of services than at then it will become a proportion still of ient revenues to the fur- antage of UK exporters.

UK exporters who are d by the stability of exchange rates may not ticed that overseas f British goods are see- me price reductions through wider dis- n Sterling in the for- currency exchange

important considera- ecting UK export pros- nd export prospects for her countries) are the s accumulations of surpluses by OPEC rem atched by increas- nitudes of overseas bor- by many countries g trade deficits. UK s should realise, I res- suggest, that tactical e rate manoeuvres are adequate remedy for fficulties.

orsnail,
ic Adviser,
nd Company,
ship Street, E.C.2.

sing out on d benefits

r. Frank Field MP

May I begin where reud ends his informa- erty review (June 19)? lly the whole debate e Budget statement has out the vertical redistri- f income it is intended : about i.e. the shift of- s to the wealthier s of the community. But lget also brought about l, and equally important, ution. It marks yet a turn on the fiscal screw households with — irrespective of those families are rich

key to this horizontal ution of income against is the Chancellor's to increase child bene- rior to the introduction benefit, chancellors increase the tax free of households with , in line with the child- making adjustments to d tax allowances when- e raised the personal ces. The introduction benefits, and with it lition of CTAs, means equities between those ildren and the childless ly be maintained by y reviewing the level of nefit.

was a point fully appre- by Sir Geoffrey Howe, Patrick Jenkin, and Uncle Tom Cobbley and all prior to the last election. Since then Tory leaders appear to have undergone a fiscal lobotomy.

The failure to increase child benefits makes the position David Freud describes even more serious. The childless have benefited at the expense of those with children. Moreover, while the Government claims *that this Budget gives an incentive* to work, it does the opposite for those at the bottom of the income pile.

There has been a potential disincentive effect built into our tax and benefit system ever since child additions to unemployment benefit were introduced in 1931. Beveridge warned then, and his message is equally relevant today, that the only civilised and effective way of combating this disincentive was to increase to an equal level the support given to the children of those in work.

The £4.00 child benefit made big strides towards this goal but the last Budget increased the children's allowances for all benefits for those unable to work. This of course was a necessary step but it failed to accompany this with increases in child benefit. More families, must now find themselves in the position of being better off out of work.

The only way to free the working poor from poverty is to operate on the wage and child benefit level. And we will have a chance of doing this as the Finance Bill goes through the Commons.

From April the Government abolished Child Tax Allowances but it won't gain the authority for doing so until the Finance Bill reaches the Statute Book. As all families, both rich and poor, have lost out by the *failure to increase child benefit,* I hope there will be agreement among backbenchers on both sides of the Commons to defeat the Budget clause giving the Government the authority for the CTA changes, unless the Government gives a commitment to increase child benefit *in the autumn.*

It is clear that governments left to themselves will never restructure the Welfare State so that benefits act as a floor on which people can build by their own efforts, rather than a ceiling which traps them into poverty. That being so it is up *to backbenchers to give a lead* during the Finance Bill.

Frank Field.
House of Commons,
SW1.

Consultants' currency risks

From M. E. Locicy.

Sir,—Your most interesting article on May 16 about the Asian Development Bank, mentioned that currency exchanges *have to be borne* by the borrowers. It did not, however, go further to describe how the borrowing governments tend then to feel obliged to make their consultants (contracted to design and supervise the projects for which the loans have been made) carry much of these risks.

In the typical multinational, multidisciplinary project the contracting consultant may find that the whole of his profit (small enough now because of the heavy negotiating pressures upon contingencies, time allocations, etc) can disappear in exchange fluctuations.

One is glad to read in your penultimate paragraph that the ADB is seaching for ways of spreading exchange risks; this will certainly encourage the consultants who are anxious only to do a good job and not to involve themselves in currency speculations.

E. Loewy.
120, Campden Hill Road, W8.

Tax relief on mortgages

From Dr. Graham Hallett.

Sir, — While sharing Mr. Samuel Brittan's scepticism about the *Budget* (June 14), I wonder if his suggested abolition of tax relief on insurance schemes and mortgage payments is justified. Inflation—even at 3 or 4 per cent—severely erodes the value of savings, and increases the difficulties of first-time house buyers. These allowances are a rough and ready method of providing some offsetting relief. The mortgage arrangements may not be ideal, but the introduction of the option mortgage scheme and the limitation of relief to the now very modest level of £25,000 has *removed many of the objections* previously made. There may be a good theoretical case for going over to an expenditure basis for taxation as discussed in the Meade report, but the administrative problems are surely serious.

More promising, I would suggest, is the application of a *similar approach to capital taxation*, by the substitution of a low, fairly uniform wealth tax for the present complex, arbitrary and harmful provisions for capital gains tax, investment income surcharge and stamp duty. This is far more than a theoretical possibility; it is the system which has prevailed in West Germany for half a century.

Graham Hallett.
Department of Economics,
University College, Cardiff.

Cost of rights issues

From Mr. J. B. Sidford

Sir,—Many companies are now raising capital by the issue of rights to their shareholders. The *cost of these issues is not insignificant,* and very little expense would be added if a prepaid envelope was included with each allotment letter. This would add to the convenience of the subscribers (who in any case have to foot the bill), and, who knows, may even encourage them to take up their entitlement.

Registrars, please note!
J. B. Sidford,
Byways,
Gravel Path,
Berkhamsted, Herts.

Power and responsibility

From the Chairman,
Trebor Group

Sir,—At the hard-working Industrial Society Conference on Participation last Monday the subject of power and responsibility was raised again.

The limits to which companies should broaden the exercise of power and responsibility and unions make demands to share it, would perhaps be well governed by the criterion that power and responsibility should be devolved up to the full breadth of the experience and judgment of the recipients, but no further.

On this basis, the question would not be how technically qualified are the recipients, nor how much information they have, but how, when faced with the exercise of power they use their life experience and their breadth of judgment to ensure the *wise exercise of power.*

John Marks.
Trebor House,
Woodford Green,
Essex.

Members for Europe

From Mr. Christopher Meakin.

Sir, — Your correspondents, and others, trying to design a seating plan for the European Parliament are understandably in difficulties. Itis apparent that the basic distinction between Left and Right no longer offers enough criteria for sorting out different viewpoints. Bending the straight line round into a horseshoe gains little, either.

Perhaps we require a new geometry of politics. The Left Right map, French in origin, happened to suit Marxist class conflict and has stuck ever since.

But in practice it merely distinguishes between those who support the monarchy, and those who would replace it with collectivism.

The Left Right map offers no real homeland to those people (an increasing number) who are disenchanted with government no matter who is in charge. Energy Minister David Howell's recent pronouncements on the fuel shortage show the British Conservative Party is moving in that quite different direction; Proposition Thirteen showed similar attitudse in California.

Suppose there is *another* extreme in politics, neight "Left" nor "Right" but simply "Up." It is the ultimate goal of those who believe neither in absolute monarchy (Rule by one) nor in collectivism (Rule by all) but in an absolute libertarianism (Rule by none). Our extended map makes all kinds of extra viewpoints possible, including all sorts of conservatives who might share a common view on the proper extent of collectivism but differ on the proper extent of Government.

Let the classifiers of the European Parliament have a fresh try, this time using a political triangle instead. For if politics is actually delineated by a triangle, it at last becomes one of many phenomena which are also governed by three forces, *not just two. The triangular* concept invites further thought: if the "side" between monarchy and collectivism links all those who believe in government, then what do the other two *sides* link?

Christopher Meakin.
26, Desenfans Road, SE21.

Topping up with petrol

From Mr. Seward Kennedy

Sir,—The idea of requiring the minimum fill of a petrol tank to, say, £4 worth, to "solve the problem" of people "topping up," fails to take into account a possibly even larger number of people who only buy one or two gallons to put into an empty tank, just to keep going.

Seward Kennedy.
11-14, Grafton Street, W1.

Today's Events

GENERAL

UK: Sir Keith Joseph, Industry Secretary, visits Merseyside.

Mr. David Howell, Energy Secretary: Mr. Joe Gormley, NUM general secretary; and Sir Derek Ezra, NCB chairman, speak at Coal Industry Society lunch on role of coal in energy crisis, London.

Institute of Professional Civil Servants calls one-day strike.

Iron and Steel Trades Confederation conference ends, Bournemouth.

NUR executive meets to consider London Underground pay claim arbitration.

British Overseas Trade Board seminar on trade associations and exporting.

Wales Conservative conference opens, Llandrindod Wells (until June 23).

Sir Kenneth Cork, Lord Mayor of London, lunches with British Airways chairman at Heathrow; dines with Apothecaries' Society, at Apothecaries' Hall, London.

Overseas: EEC Heads of Government meeting in Strasbourg concludes.

Chinese Foreign Minister Liquiang visits Denmark.

Mr. Kim Jong Pil, Korean government adviser, in London for trade talks (until June 26).

OFFICIAL STATISTICS

New vehicle registrations for May.

PARLIAMENTARY BUSINESS

House of Commons: European Assembly (Salaries and Pensions) Bill, second reading.

COMPANY RESULTS

Final dividends: Andersons' Rubber Company, Norcros, Rivington Reed, Scapa Group, B. S. and W. Whitley.

COMPANY MEETINGS

Ayrshire Metal Products, 17 Church Street, Irvine, Ayrshire, 4.30. Percy Bilton, Bilton House, Uxbridge Road, W., 12. Bulmer and Lumb, Victoria Hotel, Bradford, 12. Coats Patons, Merchants' Hall, 30 George Square, Glasgow, 12. Dwek, Hilton Hotel, Park Lane, W., 12. FPA Cons., Hallam Tower Hotel, Sheffield, 12. Laing Properties, Inn on the Park, Hamilton Place, Park Lane, W., 12. Scottish Northern Investment Trust, The Station Hotel, Guild Street, Aberdeen, 12.15. Toye, Connaught Rooms, *Great Queen Street,* W.C., 12. Vickers, Millbank Tower, Millbank, S.W., 12.

Wilkinson Match up £4.7m but warns on current half

DESPITE a difficult year Wilkinson Match lifted taxable profits by a third—from £14.3m to £19m—in the 12 months to March 31, 1979. Turnover jumped from £192.3m to £271.7m.

But the directors warn that the problems of the second half of last year are persisting and they expect profits for the first-half to be not as good as the previous corresponding period. In the first six months of 1978-79 the group lifted the surplus from £7.22m to £9.27m.

The year's figures were boosted by the contribution from True Temper Corporation U.S., the garden tool and hardware manufacturer, which was bought in April last year. The hardware and houseware side saw operating profits jump from £971,000 to £7.22m.

The match and lighter side lifted the surplus from £10.5m to £12.64m, and safety and protection from £4.07m to £5.06m. The packaging operations were steady at £1.74m operating profits and other activities brought in £305,000 (£169,000).

But personal products suffered a turnround from £735,000 profit to a £1.17m loss, and the loss on the writing instruments side deepened from £552,000 to £896,000.

The UK as a whole saw operating profits decline from £9.12m to £6.07m. The Board says there were competitive pressures in sunglasses and shaving, and the poor spring and summer hit sunglasses and garden tools. All operations were affected by the road haulage dispute.

All other areas improved profits. The Western Hemisphere surplus jumped from £525,000 to £6.24m: Europe £3.45m (£1.58m); Africa and Middle East £4.71m (£3.79m); and Pacific £4.43m (£2.63m).

Total tax for the year takes £7.84m, against £6.06m, leaving net profit up at £11.16m, compared with £8.24m. Basic earnings per £1 share on an SSAP 15 basis are shown to have risen by 16 per cent to 34.4p (29.65p).

At the attributable level, the surplus is well up from £5.9m to £10.03m after an extraordinary credit of £193,000 (£739,000 debit) and reduced minorities of £1.26m, against £1.54m.

The final dividend of 7.146p net lifts the total from 10p to 11.369p.

	1979 £000	1978 £000
Turnover	271,686	192,310
Matches and lighters	75,143	73,459
Personal products	45,067	46,261
Hardware and hswr.	68,892	8,413
Writing instruments	12,907	15,033
Safety and protectn.	27,130	26,359
Packaging	20,889	20,668
Other	1,658	2,067
Operating profit	24,902	17,842
Matches and lighters	12,641	10,505
Personal products	*1,167	735
Hardware and hswr.	7,220	971
Writing instruments	*896	*552
Safety and protectn.	5,059	4,074
Packaging	1,740	1,740
Other	305	169
Profit before tax	19,002	14,304
Tax	7,839	6,065
Profit after tax	11,163	8,239
Minority interests	1,264	1,533
Extraordinary credit	183	†739
Preference dividends	63	63
Attributable	10,029	5,856
Ordinary dividends	3,250	2,236
Retained	6,779	3,642

* Loss. † Debit.

See Lex

Second half downturn restricts Butterfield rise to £160,000

SECOND HALF profits of Butterfield-Harvey fell from £1.46m to £1.2m but for the year ended March 31, 1979 the taxable surplus came out ahead at a record £2.76m against £2.6m. Turnover rose from £48.9m to £54.7m.

In January, industrial disputes were affecting the group's factories but the directors were confident of an advance in profits for the year as a whole, provided the problems were resolved quickly.

These problems have persisted into the early months of the current year, the directors now state. Production levels have not yet reached target, but lost ground will be recovered, they say.

	1978-79 £000	1977-78 £000
Turnover	54,683	48,898
Trading surplus	3,343	*3,064
Interest charges	582	464
Profit before tax	2,761	2,600
Tax	540	763
Profit after tax	2,221	1,837
Minority interests	34	19
Available	2,187	1,818
Preference div.	10	10
Interim ord.	187	162
Final	217	178
Extraord. credit	266	†421
To reserves	2,039	1,048

* Restated to include depreciation on buildings totalling £173,000. † Debit.

The group has started 1979-80 with a record order book and the directors are confident progress will be made.

After tax, £540,000 (£763,000), earnings are shown as 15.1p (12.6p) per 25p share, and 8.6p (8p) after a full tax charge.

The dividend is increased to 2.8p (2.365p) net with Treasury approval, with a final of 1.5p.

Extraordinary items include the surpluses arising on the sale of land at Greenwich and Bilston against which has been set the remaining costs of the re-organisation of the Greenwich operations.

Investment in plant and buildings exceeded £1.5m in the year, but despite this, bank borrowings have remained at satisfactory levels, the directors say. Further investment is envisaged in 1979-80 and major projects have been approved for Shelvoke and Drewry, Beldray and Harcostar.

Butterfield's interests include the manufacture of municipal and special purpose vehicles, engineering components, building, marine leisure and plastic products etc.

● comment

Butterfield-Harvey blames the well-documented winter disruption for the 18 per cent second half shortfall which almost wiped out a strong performance in every area except hydraulic cylinders and plastic blow moulding during the first six months. A detailed divisional breakdown must await the accounts but the first few months of the current year have been affected by a spill-over from the transport strike and the arctic-style winter. Capital spending, concentrated on the housewares, blow moulded containers and municipal vehicles subsidiaries, may be almost doubled this time to around £3m but, on a 20 per cent tax charge, that should be covered by cash flow. The balance sheet remains strong which suggests that there would be scope to reduce the cover, currently 3.1 on fully taxed earnings, on future dividends. As it is, the historic yield is 5.6 per cent after the 18 per cent dividend increase and the p/e is 8.7 at 76p, up 1p yesterday.

DRAYTON COMM.

Pearl Assurance has converted £313,014 6¼ per cent convertible unsecured loan stock 1986 of Drayton Commercial Investment Company into 250,411 Ordinary shares. Pearl now holds 1,541,596 ordinary shares (6.3 per cent).

ISSUE NEWS

Century Oils calls for £1.3m to aid expansion

Shares of Century Oils Group slid back 7p to 79p yesterday in reaction to a £1.3m cash call on shareholders by way of a one-for-four rights issue at 65p a share.

Explaining the need for the issue the directors say that Century has entered a period of considerable expansion and a substantial increase in turnover is expected this year both in the UK and overseas.

Moreover, the recent formation of a subsidiary in the U.S. followed by the acquisition of Hulbert Oil and Grease for £1.3m has increased the company's scope of activities. This expansion combined with higher oil prices will lead to a significant increase in working capital requirements.

Current trading in the UK is described as good and Century has been able to raise prices to cover higher costs as well as expand volume. Overseas, exports are showing a considerable improvement.

However, modifications to the Scottish refinery during the first quarter have resulted in a period of virtual closure of the plant and consequently higher costs. These changes, which should improve yields and reduce wastage, were started last November and though the disruption will affect interim profits the second half is expected to show the benefits of the move.

The shortage and rise in the price of crude oil will continue throughout the year affecting the availability of mineral oils and petrochemicals. But the directors are optimistic regarding Century's own supplies.

In the absence of unforeseen circumstances the Board intends to pay dividends totalling 3.65p per share in the current year to March 31, 1980. For the last financial period a total of 3.0079p was paid from profits of £1.26m pre-tax.

An EGM is called for July 19 and dealings are expected to start on June 27.

S. G. Warburg has underwritten the offer and brokers are Henderson Crosthwaite.

HIGHLIGHTS

Lex looks at the immediate prospects in the gilt edged market in light of the modest level of subscription for yesterday's two new issues. Two major company results for the day present contrasting pictures. **Racal** continues to shine with a profits rise of almost a quarter pre-tax and the promise of further rapid growth over the next five years. **Wilkinson Match**, on the other hand, relies on acquisitions to mask some poor results on existing operations and there is a warning of lower profits to come in the first half of this year. Elsewhere Butterfield is blaming the second half setback on the winter disruptions and Tunnel's second half has also made a poor showing. **Petbow's** profits are well down as anticipated and though **Baker Perkins** passes the post with profits higher by a tenth this is a little short on what had been indicated in January's rights issue statement.

TAP ISSUES

The Bank of England announces that all tenders from the public for the 12 per cent Treasury Stock 1984 and 12¼ per cent Exchequer 1999 "A" Stocks have been allotted in full at the minimum price of £97.50 per cent for 12 per cent Treasury stock 1984 and £95.50 per cent for 12¼ per cent Exchequer stock 1999 "A."

Both new stocks are now expected to operate as "tap" stocks.

The Treasury will make no conversion offer in respect of the holdings of 3% Treasury Stock 1979, and not 3% Redemption Stock 1979 as stated yesterday. This was an agency error.

Deltight Industries placing

A placing has been arranged by Singer and Friedlander of roughly 11.6 per cent of the capital of **Deltight Industries**, Surrey-based makers of fasteners and high precision components and assemblies.

The shares will not be listed on the Stock Exchange, but dealings, which are expected to begin next Wednesday, will be allowed in the "unlisted market" under Rule 163(2).

The placing involves 313,030 ordinary 10p shares at 66p each. The shares are being sold to mainly small private investors, with about 30 per cent being taken up by the company's employees.

From 1973-74 to 1977-78 sales have increased, from just over £2m to £3.86m with profits rising from £0.19m to £0.33m. For the year to April 30, 1979 the directors estimate that sales will total about £4.6m and profits will be "not less than" £0.5m—in spite of the bad weather and strikes in the automotive industry, including the lorry drivers' dispute.

For the current year the directors report that the order intake is well above the level of a year ago and they would expect profits to be "substantially higher" than in 1978-79.

The two principal shareholders, Mr. E. Greeno, chairman, and Mr. W. S. Loake, together with their wives, have agreed to retain among their families 1.38m ordinary shares (51 per cent of the capital) until September 30, 1980. They have also agreed to waive dividends on 0.65m shares for the years 1979-80, 1980-81 and 1981-82, which effectively increases the dividend cover by more than 30 per cent during this period.

Provided that profits in the current year are in excess of those earned during 1978-79, the directors propose to pay a dividend total of 5p net for the year ending April 30, 1980.

At the placing price, the historic p/e is 3.7 and the prospective yield 10.8 per cent.

At end April, 1978 net assets aggregated £1.03m after deducting goodwill. This will rise to £1.45m at end April, 1979 after providing for deferred tax of up to £0.2m—on the basis of 2.7m shares in issue, this is equivalent to 53.5p per share.

The fastener activities account for roughly 73 per cent of the group's sales. Of the total group turnover, about 9 per cent goes to the automotive industries, 14 per cent to the aircraft industry and 5 per cent to areas of defence. Direct exports total just under 4 per cent of group sales.

According to Mr. Greeno, there is not likely to be a "tremendously active market in the shares of a small company whether listed, or dealt in under Rule 163(2)." However, intending investors will have information available (about the company) and a price which reflects the independent operation of demand and supply, he added.

There are no plans for a full listing but Mr. Greeno said: "We certainly don't discount the possibility at a later stage."

Brokers to the placing are E. B. Savory Miln.

W. S. Yeates joining Nightingale market

BY TERRY OGG

THE LATEST company to join the alternative market administered by M. J. H. Nightingale and Co. is W. S. Yeates, a leading UK coach distributor.

The group, which achieved sales in the year to October 31, 1978, valued at £15.7m and pre-tax profits of £973,000, decided to make the move because Mr. John Yeates, a director and brother of the chairman, Mr. Charles Yeates, decided to sell his holding of around 30,000 ordinary shares to concentrate on his hotel interests in Wales.

The shares represent roughly 13 per cent of the ordinary capital and have been taken up by institutions as well as Yeates' employees and customers. The remaining shares are controlled by the chairman, members of his family and Mr. Reg Bennett, the managing director.

Nightingale has an option, exercisable in the next 10 years, to acquire up to 5 per cent of the shares.

Nightingale expects the shares to begin trading today at a price around £13.60, which gives a market capitalisation of £3.2m and an historic p/e of 7. Yeates intends to make a 10-for-one scrip issue in September to increase the marketability of the shares and to cut their unit price.

Following the scrip it is possible that existing Yeates' shareholders will release "a small additional percentage" of their equity.

Formed in 1928 by the current chairman's father, the group claims to account for approximately 25 per cent of all new coach sales in the UK. The total market was around £60m in the year to October 31, 1978 but, with expected price increases in coach bodies and chassis, plus growing demand, the market is expected to top £70m this year.

The group is active in the secondhand coach market and has two Volvo car dealerships which contributed some 15 per cent of sales last year. The company is slowly realising its investment in 140 acres of land in the Seychelles (book value £600) and it has an art gallery in Belgravia—specialising in Victorian period paintings—which is operating profitably.

Mr. Charles Yeates forecast sales of £20m for the current year and pre-tax profits of £1.3m at a Press conference yesterday. He said that at the interim stage the pre-tax figure was around 45 per cent ahead of last year but this was due to the rather poor start made to the 1977-78 year when a strike at a major supplier delayed deliveries.

Heavy rush for STC offering

Around £250m has been put up by the public for the latest new issue to come to the equity market — Standard Telephones and Cables.

Midland Bank, the receiving bankers, had not completed their sums last night but a spokesman said that STC's offer for sale of 15m shares at 160p each was over-subscribed around 10 times.

The spokesman described the result as "good given the weak market conditions — a factor which undoubtedly diminished the speculative applications." He said the applications included a high level of institutional interest.

The basis of allotment is expected to be announced today. Because of the heavy over-subscription, an element of balloting at the lower levels of application is thought likely.

STC is a subsidiary of International Telephone and Telegraph, the U.S. telecommunications conglomerate. In its prospectus STC forecast a pre-tax profits increase of almost a fifth to £32m for the current year.

Dealings are expected to begin next Thursday.

Racal record £61.6m profit

FOLLOWING THE expectation at midway of pre-tax profits in excess of £57m for the year, Racal Electronics reports a 23.7 per cent increase from £49.83m to a record £61.62m for the year ended March 31, 1979. Turnover was up 23.6 per cent to £226.69m.

Stated earnings per share are 33.76p compared with an anticipated 28.23p and with 25.46p in 1977-78.

Having been freed from dividend controls, the directors are recommending a final dividend of 5.6p lifting the total from 3.88p to 7.5p per 25p share. A one-for-one scrip issue is also proposed.

The directors say the dividend boost gives the group a cover of 3.4 times on a full tax charge. The group was moving towards a three times cover overall, they said.

The group has started the new financial year with record order books, and directors describe the overall group picture as "very buoyant."

It is group policy to have a compound growth rate better than the British electronics industry, the Board states. For the electronics industry as a whole, this currently runs at between 12-15 per cent.

Racal directors reaffirmed their interest in Ferranti on any Government sell-off and made it clear it is still very much on the lookout for expansion by takeover moves.

"We are interested in acquisitions in the U.S., the Continent of Europe and in the UK," said a group spokesman.

Last year Racal's exports outside the UK topped £100m for the first time, and overall sales outside the UK including exports were in excess of £170m.

On the turnover breakdown between the two main divisions, radio communications contributed 44 per cent of the overall total against 48 per cent last time and data communications 32 per cent against 29 per cent. Within radio communications, the split worked out 70 per cent tactical and 30 per cent strategic.

One area, where Racal showed a loss last year was in reel and cassette tapes—a market which faces a worldwide products surplus. But Racal hopes to see this operation back in profits this year.

See Lex

RANK ORG.

Rank Organisation purchased US$250,000 of its 4¼ per cent convertible loan 1993 on June 12 and $160,000 of its 8¼ per cent bonds 1986 on June 13.

Mid year downturn at Bluemel

DUE TO lower activity at its Wolston factory, pre-tax profits of Bluemel Bros. were well down from £190,055 to £128,109 for the six months ended March 31, 1979. Profit for the previous year had fallen from a peak £371,000 to £325,466.

The directors state that the volume of turnover at the factory has been lower in the face of ever increasing overheads.

The severe winter restricted demand for cycle products, and demand for steering wheels was affected by disruption in the motor industry, they say.

The industrial side of the business, based at Bristol continues to expand, but the directors do not anticipate that the recovery at Wolston, in the second half, will fully offset the drop in the first six months.

Turnover for the first half was little changed at £2.61m (£2.6m).

Tax for the period took £55,000 compared with £99,000 after which earnings are shown as 3.22p (4p) per 25p share.

The net interim dividend is maintained at 1.65p, last year's final being 2.17p.

FRASER SCRIP

Sir Hugh Fraser, chairman of House of Fraser, has promised shareholders a one-for-five scrip issue with a maintained dividend on the increased capital—an effective increase of not less than 20 per cent.

The major beneficiary will be Lonrho which controls nearly 3 per cent of the shares. The scrip was announced at yesterday's annual meeting.

THOMAS TILLING

J. Henry Schroder Wagg announces that all the 31,876,21 new ordinary shares in Thomas Tilling not subscribed by ordinary shareholders have been allotted to the underwriters.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div.	Total for year	Total last year
Arbuthnot Latham	6.57	—	6.23	10.42	10.08
Baker Perkins 2nd int.	4.35	July 31	2.4	6.45	4.3
S. & W. Berisford ...int.	2.5	Oct. 5	1.76*	—	4.19*
Bluemel Bros. ...int.	1.65	Sept. 8	1.65	—	3.82
British Steam	3.71	July 27	3.31*	5.21	4.67*
Butterfield H.	1.5	Aug. 2	1.34	2.8	2.37
Delson ...int.	0.5	—	Nil	—	1.6
Electric & Gen. Inv.	1.2	Aug. 13	0.9	1.85	1.55
Lindustries	6.6	Oct. 1	6	9.9	9
Lonsdale Universal int.	1.67	Aug. 7	1.34*	—	4.14*
Petbow	3	—	2.81*	4.5	4.35*
Racal	5.6	Aug. 15	2.18	7.5	3.88
Silvermines	1	Aug. 2	1	1.5	2.5
Sterling Inds.	1.08	Aug. 6	0.92	1.46	1.28
Triplex	3.6	Aug. 8	3.06	4.68	5.36
Tunnel Hldgs.	8.5	Aug. 2	7.62	12.5	10.97
Westbrick Products	1.75	—	1	3	1.5
Wilkinson Match	7.15	Oct. 1	6.22	11.37	10

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues.

UK COMPANY NEWS

econd-half slowdown aves Tunnel unchanged

able profits of Tunnel unchanged at £6.58m, £6.52m, in the year to 5 1979. But the group, looking for an improve- raising the total net from 10.97p to 12.5p inal payment of 8.5p. lway pre-tax profits rose 38m to £3.54m.

oard says the improved esults—up from £3.32m n—were due mainly to sion of three months en- z figures from the new y Chemicals operations. ip last year bought the division of Barrow Hep- up for £10.5m.

lition Tunnel Building provided better re-

he cement operations by the bad weather ad drivers' strike, and the mmission's intervention e increases cost £500,000 rofits.

h trading overseas, the pound and investment or Stablex reduced the om associated to £1.72m on turnover down from o £23.8m. Group turn- the year was ahead from £44.2m.

future the Board says ie difficulties surround- ement industry do not much affect Tunnel which is being reorgan- ould produce a more e result. The majority her operations are ex- pected to increase profitability. Stablex development, particularly overseas, will continue.

Of the restructuring policy, aimed at establishing significantly higher earnings, the directors say they anticipated that 1979-80 would see the initial level of the profit plan being attained. So far they are confident this should be achieved.

	1978-79 £000	1977-78 £000
Group turnover	44,240	34,836
Associated turnover	23,790	24,286
Trading profit	3,653	3,324
Associated profit	1,716	2,240
Investment income	41	118
Interest receiv.	1,190	945
Deb. interest	77	128
Exceptional items	52	17
Profit before tax	6,575	6,516
Tax	2,811	2,132
Profit after tax	3,764	4,384
Exchange losses	207	65
Minorities	19	*34
Extraordinary credit	17	1,999
Attributable	3,555	6,352
Dividends	1,567	1,363
Retained	1,988	4,989

* Credit.

The taxable surplus for the year was struck after interest received of £1.19m, against £945,000, and debenture interest down from £128,000 to £77,000.

Tax takes £2.81m (£2.13m) leaving net profit down at £3.76m, against £4.38m. Stated earnings per 50p share before extraordinary items are down from 36.7p to 29.1p, and after these items from 53.8p to 29.3p.

The extraordinary credit is down from £2m to £17,000. This time there were rationalisation costs of £1.85m which was offset by related tax £857,000 (£421,000 debit), profit on sales on investment £865,000 (£2.62m) and and £147,000 from the redemption of remaining 5¾ per cent debenture stock.

At the attributable level the surplus is well down from £6.35m to £3.56m, and after the increased dividend costs the retained figure falls from £5m to £2m.

● comment

Second half figures from Tunnel Holdings are predictably bad but there are signs that the group's diversification policy is starting to pay off. The special chemicals division made a first time contribution for three months, probably amounting to over £0.5m. But overall there is still a long way to go. The Stablex waste disposal operation continues to make a loss and no significant improvement can be expected for a couple of years, by which time the U.S. may be making a modest return. The cement business was hit by exceptional factors but general prospects here are nonetheless a little shaky. Reorganisation is reducing UK market share further while conversion of kilns to coal could result in Tunnel paying more for its fuel than its larger competitors. Th ebalance-sheet continues to look very strong but on the basis of past performance and uncertain prospects the shares look fully rated on a stated p/e of around 9.2—at 278p. The yield is almost 7 per cent but costs below the line have helped cut the dividend cover.

Petbow slumps as export markets suffer downturn

AS FORECAST at the interim stage Petbow Holdings achieved only a modest profit in the second six months of the year to March 31, 1979, and finished the year with pre-tax profits well down from £3.04m to £1.2m, after an exceptional item of £398,000. At half-way the surplus was down from £1.44m to £1.13m.

The directors say they have already taken extensive measures to reduce labour and overhead costs, but indications are that first-half results in the current year are likely to show a breakeven position. They state that it is difficult to predict when the company's major markets will recover to previous levels, but there are signs of improvement in specific markets and they are hopeful that this will be reflected in second-half results.

Full-year earnings are shown to have fallen from 16.13p to 10.41p and the final dividend is 3p net for a 4.5p (4.349p adjusted) total. Mr. J. Bird and Mr. E. Bird have waived the final on 2.73m shares in addition to waiving the interim on 3.73m shares.

The company manufactures generating and welding sets.

	1978-79 £000	1977-78 £000
Turnover	18,108	21,378
Trading profit	1,595	3,038
Exceptional items	*398	—
Profit before tax	1,197	3,038
Tax credit	270	†902
Extraordinary credit	50	125
Attributable	1,517	2,111
Preference div.	83	—
Ordinary div.	467	414
Retained	967	1,697

* Net cost of redundancies announced in October and March. † Charge.

Although UK sales increased during the year, major markets of Nigeria, Iraq and Iran experienced severe and largely unforeseeable political and economic problems that led not only to a downtown in business but in some cases to a complete cessation of shipments.

The problems in these markets have affected the generating set industry world wide, and strong overseas competition assisted by a rising £, has affected exports from the UK industry in particular.

● comment

Petbow shareholders will have to be patient. There is no short term replacement for its three major export markets and there is little to suggest that the three will shortly come back on stream. Iraq is still closed, Iran remains in turmoil and only in Nigeria is there faint signs of some upturn which may come through in the second half. Petbow has cut its staff and is switching marketing efforts but domestic overcapacity has been exacerbated by the export problems and margins are being heavily squeezed. The good news is that the dividend has been maintained. The shares were unchanged at 68p yesterday giving an historic p/e of 6.2 and a yield of 9.9 per cent.

BOARD MEETINGS

TODAY

Interims:—Brunner Investment Trust, Cardiff Malting, Grange Trust.

Finals:—Anderson's Rubber, Andersons Strathclyde, E. Austin (London), Finance and Industrial Trust, Highgate and Job, Norcros, Rivington Reed, Scapa, Victoria Carpet, Wharf Mill Furnishers, B. S. & W. Whiteley.

FUTURE DATES

Interims:—	
Bett Brothers	July 2
Blundell-Permoglaze	June 27
Norfolk Capital	June 28
Finals:—	
British Tar Products	June 27
Brown (John)	June 29
Caledonian Trust	August 13
Carclo	July 9
Chubb	June 27
Downing (G. H)	July 11
Northern Goldsmiths	June 25
Rexmore	July 3
Schlesinger American Inv.	June 28
Scottish & Newcastle Brews.	July 5
Second Great Northern Inv. Tst.	July 9
Wrighton (F.)	July 10

DIVIDEND AMENDMENTS

The final dividend for 1978-79 of Amos Hinton and Sons, is to be increased by 0.07271p to 1.69681p following the change in ACT.

The final dividend for 1978-79 of Hartwells Group is increased to 4.667p.

British Steam up to £2.9m

AFTER REPORTING a rise from £0.91m to £1.23m at midway, the British Steam Specialties Group, pipeline equipment concern, achived record pre-tax profits of £2.89m for the year ended March 31, 1979, compared with £2.27m previously. Turnover improved from £31.14m to £36.91m.

After-tax earnings per 20p share were up by 7.9p to 22p, and a final dividend of 3.714p takes the total net payment to the maximum currently permitted 5.214p (adjusted 4.67p) on increased capital. A one-for-five scrip issue is also proposed.

With SSAP 15 adopted and reducing the charge by £989,000, tax for the year takes £620,000 (£821,000). Comparative figures have accordingly been restated on a similar basis. There was a deferred tax adjustment relative to prior years of £2.13m.

A revaluation of the group's properties resulted in a £1.09m surplus.

	1978-79 £000	1977-78 £000
Turnover	36,905	31,144
Trading profit	3,160	2,464
Finance charges	270	193
Profit before tax	2,890	2,271
Taxation	620	821
Net profit	2,270	1,450
Dividend	538	482
Retained	1,732	968

JOHN BEALES

Marathon (Launceston), a subsidiary of John Beales Associated Companies, has closed its making up unit at Newquay. This is part of a continuing reorganisation programme following the transfer of warehousing from Launceston to Nottingham.

aker Perkins increases 10% spite associate's loss

HIGHER interest rates oss at the European Baker Perkins Holded in pre-tax profits 10 higher in the year to 1, 1979, at a best-ever compared with £8.93m. ere also a record at an increase of 13 per ast time.

oup's share of the results European associate from a pre-tax surplus of a loss of £11,000.

rectors say a fall in the ity had been forecast was not expected. However the Iran revolution, iate's management con- t essential to make a al provision against from Iranian customers. lway, profits slipped to £3.55m). But the direc- a confident that, with ordertaking and, in on of some recovery in pean associate's results econd half, the overall evel for the year would tisfactory improvement. Gilbert, chairman, now principal operating com- gain performed well, to his midway expecta- return of over 20 per pital employed has been for the third consecutive

The chairman expects results for the first half of the current year to be about the same as last time. For the full year, assuming the European associate breaks even, further profit improvement is forecast.

Stated earnings per 50p share are higher at 30.5p (28.9p). As forecast at the time of the rights issue in January, there is a second interim dividend of 4.35p in lieu of a final. This lifts the total to 6.45p (4.3p).

A one-for-four scrip issue is also proposed. The directors expect to recommend an unchanged dividend for 1979-80 on the increased capital.

	1978-79 £000	1977-78 £000
Sales	97,489	85,500
Food	62,159	53,944
Chemical	14,108	12,822
Other	21,222	18,734
Trading profit	10,643	8,393
Food	8,055	6,954
Chemical	1,738	1,279
Other	850	160
Associate's loss	11	*1,043
Interest	776	504
Profit before tax	9,856	8,932
Tax	2,388	1,938
Net profit	7,468	6,994
Extraord. debit	—	291
Attributable	7,488	6,703
Dividends	1,673	1,045
Retained	5,815	5,658

* Profit.

● comment

A rise of a tenth pre-tax by Baker Perkins falls a little short of the rate of growth implicit in the January rights issue statement but the group's share of its associate's subsequent provision against Iranian debts amounted to some £500,000 and the associate also suffered a month-long strike towards the end of the financial year. The upshot is a £1m downturn to worse than break even in West Germany and current projections of another overall improvement this year still exclude any contribution from this source. In what is loosely termed, "other machinery," Baker Perkins eliminated losses of perhaps £350,000 in Australia but, for the group as a whole, this benefit was offset by the weakness of dollar conversion rates. After a 35 per cent advance in chemical manufacturing machinery last year and a 15 per cent improvement in food and packaging machinery, the ordering pattern is no better than static so far dull. A fully taxed p/e of 8.7 at 159p, down 1p yesterday, is pinning a good deal of faith in the group's ability to progress in tough world markets but a strong balance sheet underpins the projected dividend rise where the prospective yield is 7.8 per cent.

rbuthnot Latham at £1.13m d confident for 1979-80

OF Arbuthnot Latham for the year ended 1, 1979, came out at gainst a previous £1.03m. sult was after tax and tional debit of £203,000 year, but included a extraordinary credit, £24,000 transfer from eserves for the period.

before extraordinary as lower at £788,000, 1.1m, as forecast at the stage.

earnings are shown as r £1 share compared p, and 11.1p (15p) fully

vidend is lifted to 10.42p net with a final pay- 6.57p.

R. C. Arbuthnot, chair- s that much constructive ent has been achieved he last 12 months, "and forward with confidence utcome for the present.

s that a difficult year for ing industry left profits. division, after tax and to inner reserves, be- £607,000 against £708,000. om the other group com- ose £32,000 to £719,000. the year the group in- the interest in its t bank in Singapore, now as Arbuthnot Latham d the directors believe sidiary will make an in- contribution.

insurance and insurance business, trading gen- under the name of "Golding," had another record year, the chairman says.

	£	£
Profit after tax	1,326,000	1,395,000
Banking	607,000	708,000
Other companies	719,000	687,000
Exceptional debit	203,000	—
Loan interest	160,000	171,000
Minorities	256,000	268,000
[illegible]	81,000	141,000
Making	788,000	1,097,000
Extraord. credit*	314,000	159,000
From cap reserves*	24,000	‡8,000
Profit	1,126,000	1,030,000
Brought forward	1,289,000	1,258,000
Adjustments§	—	48,000
Available	2,415,000	2,240,000
Dividends	753,000	701,000
To contingencies	—	250,000
Retained	1,662,000	1,289,000
	1978-79	1977-78

* Non-banking group. † Debit. ‡ To reserves. § In respect of change in basis of accounting in subsidiary.

Arbuthnot Factors expanded its profits, factored debts now running at an annual rate of some £85m.

The investment division has also grown substantialy, Mr. Arbuthnot says, and it now handles over £100m of investment funds, including £55m of unit trusts.

"Further work has been put into the development of both Arbuthnot Export Services and of the commodity division."

One of the group's subsidiaries, supplying plant for metal reclamation, produced poor results, and incurred an exceptional loss. The chairman says this industry has had a difficult time in the last 18 months, and sales of both new and renovated plant were disappointing until recently.

The group sold its holdings in Lindshourne and in Barrow Hepburn, last March, for a total of £3m.

KALAMAZOO

Kalamazoo Group, the Birmingham-based business and office systems concern, is to acquire David Millard, its Irish distributor since 1953. Shareholders representing over 80 per cent of the Millard equity have already accepted the offer.

Sheepbridge Eng. falls to £4.5m

As expected, profits before tax of Sheepbridge Engineering, at £4.47m for the year ended March 31, 1979, have fallen short of the previous year's £5.56m.

The shortfall was forecast at midway when directors reported first half profits down from £2.3m to £1.99m.

Earnings per share are stated at 9.2p against 13.1p. As known, the total dividend is raised from 4.28p to 4.7433p with a second interim payment of 2.51p.

The directors say results were affected by strikes at customers' works and by the road haulage strike.

SSAP 15 has been adopted and the corresponding tax charge is restated. If deferred tax had been fully provided the tax charge would have been increased by £1.3m (£2.04m).

The document containing the offer from Guest Keen and Nettlefolds will be posted together with the report and accounts for 1978-79, by the end of June.

	1978/79 £000	1977/78 £000
External sales	63,838	56,592
Trading profit	4,437	5,544
Capital profits	29	16
Profit before tax	4,466	5,560
Tax	902	955
Net profit	3,564	4,605
Minorities	291	205
Attributable	3,273	4,400
Dividends	1,690	1,518

Lonsdale rises 12% at halfway

Universal, the commercial stationery and printing group; rose 12½ per cent, from £747,000 to £840,000, in the half-year to March 31, 1979, on increased turnover of £18.26m compared with £14.67m.

Mr. N. G. Ramseyer, chairman, says the difficult winter, the relative strength of sterling and higher interest rates—at £431,000 against £189,000—were the principal reasons for the reduction in the growth rate. In the last full year, profits reached £1.62m (£1.25m).

There is still some uncertainty in parts of the group trading areas, but current trends should be maintained for the full year. There are several promising developments nearing completion which will improve profit growth, the chairman says.

The net interim dividend is effectively raised from 1.336p to 1.67p, and the directors expect to recommend a similar increase in the final. Last year's total was equivalent to 4.1363p. Earnings per 25p share are shown at 6.9p compared with an adjusted 6.46p.

Tax took £210,000 (£169,000), leaving net profit at £630,000 compared with £578,000.

Berisford jumps £2.5m and lifts dividend 43%

A NEAR £2.5m profits rise and *a 43 per cent dividend increase* is announced by S. and W. Berisford, the group which takes in food merchanting and commodity trading, finance and insurance.

In the half-year to March 31, 1979, the company lifted taxable profits from £13.65m to £16.1m on turnover well ahead from £623.6m to £924.8m.

The interim dividend per 25p share is being raised from an equivalent 1.75p net to 2.5p.

The directors say that follow*ing the end of dividend restraint* they will review the dividend policy and when the full-year results are available they hope progress will be made towards a more generous distribution level.

Last year the group paid a total net equivalent of 4.1875p on taxable profits of £31.36m.

Of the half-year turnover, 48.5 per cent (£449m.) was generated in the UK and from this the group turned in taxable profits of £8.07m. In Europe, pre-tax profits amounted to £3.87m on £160.7m turnover.

The U.S. operations made £819,000 profit on £90.5m turnover and external trading on which profits accrue to the UK recorded turnover of £224.6m and profits of £3.3m.

Tax charges for the half-year were £2.36m, against £1.52m, leaving net profits up from £12.12m to £13.74m.

Stated earnings per share are increased from 13.49p to 14.44p.

The available surplus is ahead from £11.79m to £12.89m after minorities of £846,000 (£336,000) and preference dividends of £3,000 (same).

● comment

Berisford's share price dropped 9p to 193p after the first half figures failed to meet some of the more optimistic outside expectations. But the drop seems to be more the result of quick reaction than a well considered decision. The stock has performed well over the past year (it was around a year ago) on the strength of its recent growth record. The latest profit is 18 per cent up and puts the group on line for around £38m for the year. The appeal of the stock is its diversified range of commodities traded, plus its proven management. The market has been tentatively rerating the shares, and they now sell on a prospective fully taxed p/e of 10.16 and a yield of 4.5 per cent.

TRICENTROL

Tricentrol is to pay the £124,948 due to Opman International (UK) on its royalty interest in Tricentrol's share of production from the Thistle Field for three-month period ended May 31, 1979, by the issue of 56,536 ordinary shares.

Arrangements have been made for these shares to be placed to provide the cash payment.

Boots makes a good start

The current year has started reasonably well for the retail division of the Boots Company, and prospects for the industrial division are good, Sir Gordon Hobday, chairman, says in his annual report.

However, it will not be an easy year for the industrial side as it faces formidable increases in labour costs and prices of raw materials, coupled with an increasing reluctance of health services over the world to accept higher prices for pharmaceutical products.

Retail operations overseas, principally those in Canada, continue to progress according to plan and the chairman expects they will be making a positive contribution to profits before long.

Capital investment last year in new and modernised shops in the UK was over £28m and during the current year, directors are undertaking a development programme ivolving more than 70 shops with a budgeted expenditure of over £40m.

For the year to March 31, 1979, group pre-tax profits amounted to £113m against £107m on sales of £1.05bn (£883m). Current cost pre-tax profit is reduced to £93.3m after £11.6m adjustment for depreciation, £10.5m cost of sales and £2.4m gearing.

Sales and trading profit (£108.5m) earned by geographical are UK, £912.5m and £83.4m respectively: Europe, £34.9m and £10.6m; Americas, £80.5m and £5.7m; Asia, £15.5m and £8.5m; Australasia; £11.8m and £2.2m and Africa and Near East £17.8m and £3.1m.

In spite of problems, real growth at Boots The Chemists in 1978-79 was the highest for the last five years and continues to enjoy the highest customer traffic of any major High Street outlet in the land.

Over 56 million prescriptions were dispensed in branches last year but the real profitability of the NHS dispensing business gives cause for concern.

All parts of the industrial division were greatly affected during the last quarter of the year by secondary effects of industrial disputes.

In the research and develop ment departments, the firs phase of a new building pro gramme will be ready for occu pation this year at a cost o about £3m. Further expansion i planned.

Meeting, 20 Aldermanbury July 19 at 11 am.

Lindustries expands to £7.2m as sales pass £100m mark

ON TURNOVER 13 per cent higher at a record £100.23m, pre-tax profits of Lindustries, the engineering, rubber and plastic, and thread products group, rose 6 per cent to £7.24m in the year to March 31, 1979. This compares with £6.83m last time.

At the 28 weeks stage, the surplus was up from £3.67m to £3.82m, and the directors expected increased full-year results.

Tax after prior-year credits took £1.97m, against £2.02m. Stated earnings per 25p share are higher at 26.5p (24.4p). The net final dividend of 6.6p lifts the total from 9p to 9.9p. Attributable profits came through 9 per cent higher at £5m (£4.59m).

Exports advanced 29.5 per cent to £19.03m (£14.7m).

The directors say the rubber and plastic products sector lifted profits by 47.7 per cent to £954,000, on sales 6.9 per cent higher at £17.63m. Profits of the overseas operations advanced 44.4 per cent to £1.79m, with sales 15 per cent ahead at £15.48m.

In the thread manufacturing companies, profits fell 33.5 per cent despite slightly higher sales.

The shortfall, reflecting continuing pressures on margins, was increased by the strength of sterling.

	1978/79 £000	1977/78 £000
Sales	100,228	88,403
Engineering	45,772	37,763
Rubber, plastic	17,634	16,492
Thread, allied prods.	21,343	20,703
Overseas	15,479	13,445
Profit	7,325	7,035
Engineering	3,263	3,165
Rubber, plastic	954	646
Thread, allied prods.	1,319	1,985
Overseas	1,789	1,239
Investment income	352	111
Interest payable	548	394
Share associates	113	91
Profit before tax	7,242	6,833
Tax	*1,970	2,019
Net profit	5,272	4,814
Minorities	271	226
Extraord. debit	102	250
Attributable	4,899	4,338
Dividends	1,930	1,759
Retained	2,969	2,579

* After prior year credits.

Sales by the engineering companies increased 21.2 per cent and these activities now contribute some 45 per cent of the group total. But profits were only marginally ahead at £3.26m because trading losses by two companies mainly engaged in mining and aviation eroded other gains.

As already announced, Mr. W. E. Luke, chairman, retires at the annual meeting.

● comment

Gearing at Lindustries is down to 20 per cent and so the group is not unnaturally casting around for new acquisitions. Food and beverage processing or mining are potential targets and equity financing is not ruled out—a dollar eurobond with warrants perhaps. Yesterday's results provide a sound background for expansion even if it has been a year of swings and roundabouts. Dynamics and Cowlishaw Walker between them lost £775,000, there was a loss of £575,000 on foreign exchange conversion and the thread sector, where the bulk of production goes abroad, was hit by overcapacity. On the positive *side, Delanair recovered strongly* from the Ford strike and H. A. Coombs, in the polymer division, is breaking even on trading after a bad patch. Both St. Albans Rubber and the Mexican fishing net operation showed a 50 per cent profit rise. There is little sign of improvement in the thread division this year, but growth can be expected in the other major areas, lending support to a stated p/e of 5.1

Westbrick doubles dividend

HIGHER PROFITS and a *doubled dividend payment* are announced by Westbrick Products, building component manu*facturer, for the year to March* 31, 1979. With turnover at £12.87m against £10.59m, pre-tax earnings went ahead from £331,000 to £597,000, although last year's figure was struck after exceptional losses of £194,000.

When reporting first-half profits up from £135,000 to *£344,000, the directors said* results were in line with budget and this performance was expected to be maintained

Full-year tax charge takes £186,000 (£198,000) and after an extraordinary credit of £30,000 against a £203,000 debit, there was a turnround from an attr hutable loss of £75,000 to £441,000 profit.

Earnings per 25p share ar 10.8p compared with a 1.8p los and the net dividend total i stepped up to 3p (1.5p) pe share, with a final of 1.75p.

The directors state that i the current year, April saw littl improvement for constructio materials, but there was a goo recovery in May. The advers sales variance for these product is ulikely to be recovered.

However, the directors ar quietly confident for the r mainder of the year.

LOOKERS

Lookers has purchased Tipto and Morley, agricultur engineers, at Barnard Cast with branches at North Allerto Leyburn and Darlingto together with Bedale Garag Toyota dealers.

Total consideration amoun to £150,000 cash of whic £135,000 has been paid on com pletion and £15,000 is payab on December 31.

Triplex finishes £0.4m behind

A FALL in profits of the foundries division has left the taxable surplus of Triplex Foundries Group behind at £2.23m for the year ended March 31, 1979, against a previous record £2.64m.

Turnover of the group, which was reorganised during the year, finished ahead at £38.03m compared with £34.38m.

The total dividend is stepped up to 5.36p (4.6782p) net per 25p share with a final payment of 3.6p.

	1978-79 £	1977-78 £
Turnover	38,034,000	34,381,000
Foundries	22,746,000	22,462,000
Eng. after revisn.	6,399,000	*8,437,000
Ind. services	9,100,000	†3,688,000
Less inter. div.	211,000	206,000
Pre-tax profits	2,230,043	2,642,430
Foundries	1,213,652	1,891,755
Eng. after revisn.	507,926	*496,474
Ind. services	508,465	†254,201
Tax‡	683,894	1,028,243
Extraord. debit	—	32,762
Pref. divs.	6,891	6,891
Attributable	1,539,258	1,574,534
Ord. divs.	445,701	385,348
Retained	1,093,557	1,189,186

* Before revision. † Other activities. ‡ SSAP 15 adjusted.

Divisional figures for the year reflect the revised management responsibilities, with comparative figures showing the divisional structure for that year.

The changes, aimed at strengthening the company and improving management control, included the regrouping of the engineering and other activities into a revised engineering division and a new industrial services division.

Freehold buildings have been depreciated with effect from April 1, 1977, based on a valuation as at December 31, 1976, with additions since at cost. The *valuation gave rise to a surplus of £1.27m.*

Little change at Barrow Milling

After rationalisation costs and higher interest, pre-tax profits of Barrow Milling Company were virtually unchanged in the half-year to March 2, 1979, at £219,358, against £214,113. Turnover rose from £9.92m to £11.38m.

The directors of the flour miller, bottler and soft drink manufacturer say the year's outcome will depend on prompt approval of price increases for flour and bread and continued co-operation of all concerned in the bakery reorganisation. In the last full year the taxable surplus slumped to £226,281 (£1.01m).

Rationalisation costs totalled £19,970 this time. Interest rose from £119,682 to £227,265.

There is no tax charge, compared with £24,426 previously. Stated earnings are up from 4.53p to 5.24p. The net interim dividend is maintained at 3.64p—last year's total was 4.69p.

Progress at Northern Securities

Taxable profits of Northern Securities Trust went up from £242,292 to £345,536 in the year to March 31, 1979. Net asset value per 25p share advanced 36p to 188p.

Gross income rose from £390,871 to £571,727, and the pre-*tax surplus was struck after* increased bank and foreign currency loan interest of £153,780 (£84,901).

Tax takes £141,266, against £85,835, and stated earnings per share are *ahead* from 4.24p to 5.51p. The final net dividend of 3p lifts the total from 3.45p to 4p.

arby attacks FW battle

HN MOORE

Hugh Routledge

ank Narby (left) and Mr. Paul Bristol, photographed at yesterday's Press conference.

ank Narby, chief execu- Eurocanadian Shiphold- private Canadian-owned group, claimed yester- Mr. Keith Wickenden, of European Ferries ervative MP for Dork- satisfied with the con- Furness Withy and the been run as a company. le his claim during an Press conference in yesterday which was outline his plans for e of Furness.

Wickenden's company er cent of the Furness rocanadian owns 10 per h it is throwing behind ernational's 12.13 per ing in order to secure ice in the company.

kenden has attempted non-commital about put to shareholders by and Mr. Paul Bristol, and chief executive of kenden was not avail- omment last night but an for the group said: omplete surprise to us lissatisfaction has been We are unhappy that has been used without sultation."

istol said yesterday "You cannot have reholders representing nt of Furness who are

rby has sent an open Furness shareholders great company adrift." proposes that share- should vote for Mr. be appointed a director s at next week's AGM. Narby argues that rs should vote in that support the common during the months

e listed as: the appointment of a ich will direct the nt of the company towards creating and maintaining a balanced non-cyclical/cyclical shipping business;

- to seek the appointment of a chairman (an ideal choice, he has suggested would be Mr. Wickenden) who has the stature and experience to preside over the full development "of your investment in the years ahead;"
- to appoint new financial advisers whose role does not extend beyond giving financial advice and handling financial transactions for the company;
- to save Manchester Liners, a Furness subsidiary in which he holds 37 per cent, "from disappearance;"
- to explore the possibility of founding jointly with KCA a major world oil service organisation.

Mr. Narby indicated yesterday that if Mr. Bristol's proposals did not go through at the meeting, "we would be prepared to associate ourselves with a substantial British interest and Mr. Bristol to make a bid" for Furness. He declined to name any substantial British interest that he may have approached in connection with this contingency plan.

But he felt that with a new government in power the opportunities to "exercise the entrepreneurial spirit" were quite different.

Mr. Bristol, commenting on harsh criticism of himself by Mr. Brian Shaw, managing director of Furness Withy, said: "Personalising the situation is abominable. There is an industrial logic in what I am trying to do."

Mr. Narby added: "The only thing wrong with Mr. Shaw is that he wants to be chairman of Furness but he has no experience to be chairman of a company as large and as complex as Furness."

rora underlines need merger with Balfour

r document from Mr. tkinson, chairman of oldings, for Edgar Allen oncentrates on EAB's performance" over years" and on the rationalise the frag- J.K. special steel bar

scribes seven areas merger would streng- two companies' com- es in international

the reasons for EAB's to the bid so far is cation of redundancies. ison repeats that these voluntary and that his arrest the decline of e sector by strengthen- ndustry.

-forma balance-sheet he position of the two s if the merger were to reveals a combined net assets total of £33m with balance-sheet ures of £24.3m for nd £15.7m for EAB.

hareholders who accept ora shares will, the admits, suffer a reduc- the amount of assets ning their equity. But be small and the reduc- be even less if the by EAB's directors of a rall trading loss for the March shows through to m line. results for last year yet been published but e, based on 1978 assets, the decline would be from £1.14 to £1.01 per share.

EAB's directors are still studying the document and will reply to it as soon as possible. Meanwhile their advisers have made representations to the Takeover Panel for an investigation into dealings in EAB's shares prior to the bid. Aurora bought nearly 30 per cent of the company through the market on the morning of its bid announcement.

DIXOR-STRAND

Dixor-Strand, the cosmetics manufacturer, accompanies its interim profit figures with the announcement of a bid for Hewitt, a public unlisted financial trust and investment company.

The offer is in Dixor shares and at yesterday's market price is worth £247,450. It is subject to shareholders' approval.

As expected Dixor's results for the six months to March have reflected the disturbance of the move to the Thornton Heath factory. Sales of £192,000 were static in comparison with the 1978 first half, but instead of pre-tax profits of £21,000 a loss of £25,324 was incurred.

The loss is largely offset below the line by the surplus of £18,475 on the sale of the old factory at Mortlake.

The directors say that the second half has started well with an increase in sales as a result of the new plant. They are confident that the year will prove satisfactory.

BANK RETURN

	Wednesday June 20 1979	Increase + or Decrease — for week
BANKING DEPARTMENT		
	£	£
	14,553,000	—
osits	27,889,601	+ 3,310,849
posits	740,880,000	—
posits	477 008,564	+ 117,287,575
other Accounts	614,889,445	+ 13,988,240
	1,875,220,610	+ 134,486,662
t Securities	1,394,376,802	+ 10,073,172
Other Accounts	163,541,964	+ 864,457
quipment & Other Secs.	307,545,341	+ 138,578,301
	9,544,626	— 14,819,868
	211,977	— 10,400
	1,875,220,610	+ 134,486,662
ISSUE DEPARTMENT		
	£	£
d	9.175,000,000	— 50,000,000
ation	9.165,455,074	— 35,180,132
g Department	9,544, 926	— 14,819,868
t Debt	11,015,100	—
rnment Securities	7,895,857,153	— 107,136,548
rities	1.270,127,748	+ 57,136,548
	9.175,000,000	— 50,000,000

Cominco spends £240m on three new mines

BY PAUL CHEESERIGHT

COMINCO, the Canadian minerals and fertilisers group, is preparing to spend more than C$600m (£239.6m) on developing three new mines over the next five years. The spending plans were disclosed against a background of predictions that 1979 will be the best year in the company's history.

The new mines are the Que River zinc-lead-property in Australia, the Arvik zinc-lead property in the Arctic and the Valley Copper deposit in British Columbia, Mr. W. G. Wilson, Cominco executive vice-president told the Pemberton Securities investment conference in Vancouver yesterday.

The tonnage and grade at the three deposits has been confirmed and the mines are expected to be in production within five years, he said.

The statement is a hardening of Cominco's aspirations for the properties. Previous remarks from the company have looked to a time when production decisions will be made and when remaining negotiating issues would be resolved.

The biggest project is Valley Copper, which, said Mr. Bob Stone, the treasurer, will cost up to C$500m and will produce at a rate of not less than 60,000 tons of ore a day. The mine would have an anticipated life of 50 years.

Cominco, through a subsidiary, owns 80 per cent of the deposit, and the remaining 20 per cent is held by Bethlehem Copper, for which Cominco made an unsuccessful takeover bid in 1977. The bid left Cominco with 39.2 per cent of Bethlehem's equity. Discussions between the two companies about development of the deposit have been going on for some years.

The orebody has been said to contain 800m tons, grading 0.48 per cent copper, and in 1977 Cominco argued that a market price of at least 85 cents per pound would be needed to justify development.

Cominco owns 75 per cent of Arvik and expects to mill ore there at the rate of 2,200 tons a day. The balance is held by Bankeno Mines, a Toronto company controlled by Upper Canada Resources.

Additionally, Cominco has a further C$300m to spend on its plant expansion at Trail and mine expansion at Kimberley in British Columbia. With such substantial capital expenditure in prospect, Mr. Stone said that "Cominco's dividend payout ratio will undoubtedly be tempered," although shareholders should receive increasing payments.

For the immediate future, the group is looking to a record year. Indeed, first quarter profits increased more than four-fold over the 1978 first quarter to C$38.3m (£15.2m) and the semi-annual dividend was raised to C$1.50 from last December's payment of 50 cents.

Romania signs Quintette deal

THE GO-AHEAD for the big Quintette metallurgical coal project in British Columbia of Denison Mines is signalled by the news that a sales agreement has been signed with Romania, reports John Soganich, from Toronto.

The Romanian deal is for the supply of from 25m to 30m tonnes of high quality metallurgical coal over a 20-year period. Deliveries are expected to start by the end of 1982 at a rate of between 1.3m and 1.5m tonnes a year

Quintette, which is an open-pit project situated 60 miles south-west of Dawson Creek, aims to reach an annual production rate of 4m tonnes by 1984. Its potentially mineable metallurgical coal reserves are put at 2.8bn tonnes. The feasibility study "shows the project will produce and market the coal on highly competitive terms."

The Romanians have also indicated that they would like to consider taking a 10 per cent equity in Quintette. At present it is owned as to: Denison 38.25 per cent, Esso Resources Canada (in the Exxon group) 16.75 per cent, Mitsui Mining 22.5 per cent and Tokyo Boeki 22.5 per cent.

Denison's other metallurgical coal prospects in B.C. are the Saxon property, 90 miles south of Dawson Creek, and the Belcourt property which is 65 miles south of Dawson Creek. Saxon is reckoned to be capable of producing 4m tonnes a year from both open-pit and underground operations and its reserves are put at over 500m tonnes to a maximum depth of 500 ft.

The Ruhrkohle group has a 30 per cent stake in Saxon and the right to acquire a further 20 per cent. Belcourt appears to have similar reserves and a C$15m four-year exploration and feasibility study is to be carried out. Gulf Canada has a 40 per cent stake in the property.

New life for West Drie?

HOPES are rising again in Johannesburg that West Driefontein is to extend its mining life by exploiting the Ventersdorp Contact reef to the north of the gold mine's lease area and that of the neighbouring East Driefontein. It is believed that there have been indications of some good gold values at depth in this fairly extensive area.

It is thought that Gold Fields of South Africa has completed its drilling of the three farms concerned and is now considering plans for mining operations. These would be to work the area as an adjunct to that of West Driefontein, giving the latter an extra operating life of six years or so. The remaining life in the mine's lease area is probably around 16 years.

There are considerable advantages in exploiting the area by West Driefontein rather than by a new company. These include a more favourable tax and lease formula, the avoidance of expensive shaft sinking and the immediate offset of capital expenditure against West Driefontein's profits for tax purposes.

Johannesburg also thinks that the two major holders of mineral rights in the new area, GFSA and Texasgulf, will give up their rights in exchange for an issue of West Driefontein shares. It is pointed out that a similar arrangement was recently agreed by the Doornfontein mine which is also managed by GFSA.

SEVERE SETBACK AT SILVERMINES

Despite a heavy fall in 1978 net profits to £29,859 from £326,681, Ireland's Silvermines is staying in the dividend list with a final of 1p to make 1.5p for the year against 2.5p for 1977. Earnings per share in 1978 have dropped to 0.35p.

The major adverse factor has been the loss incurred by the 25 per cent owned Mogul of Ireland lead-zinc mine as a result of low metal prices and rising costs. Silvermines' share of the loss is £26,178 compared with a profit share in 1977 of £659,443.

A provision of £278,631 has been made against the 21.7 per cent stake in the oil and gas explorer Aran Energy which also provided a loss of £16,364. Silvermines made lower profits on dealings in gilt-edged securities, while interest income fell in line with the smaller amount of funds available for deposit.

On the other side of the coin, there is no further provision against the stake in Mogul, which required £250,000 in 1977. Silvermines' share of 1978 profits from Anglian Windows—which was acquired for £496,000 in November, 1977—amounts to £517,000.

As far as the current year is concerned, Anglian Windows is expected to show further profits growth and better metal prices have brightened the picture for Mogul. The poor performance of Mogul last year had been discounted in the share price of Silvermines which yesterday hardened 1 to 39p on the better outlook for 1979.

A. COHEN AMENDS

Owing to change in ACT A. Cohen and Company is to increase net dividend of 3.855p, announced June 7, to 4.028p for 1978. It will now be posted on August 31.

Sharp fall at Dean Witter

BY JOHN WYLES IN NEW YORK

DEAN WITTER Reynolds Organisation, a product of one of the largest-ever mergers on Wall Street, yesterday reported a sharp $5m drop in earnings for the quarter ended May 31.

Currently the country's fourth largest securities firm, Dean Witter's net income totalled $2.45m on revenues of $17.6m, compared with $7.45m in the same quarter last year on revenues of $127.19m.

The results indicate the relatively poor year-on-year comparisons which can be expected from many U.S. securities firms, whose earnings last year were inflated by the sharp stock market trading and price rally last spring and summer.

Although equity trading volume during Dean Witter's third quarter was, at a daily average of 29.4m shares, only slightly lower than last year, small fluctuations in share prices have not yielded comparable inventory gains. At the same time, the bond markets have been in the doldrums for most of the March-May quarter, and some unquantified inventory losses have been sustained.

The company's net income for the nine months totalled $4.9m or 57 cents per share, compared with $10.4m or $1.56 per share. Revenues were $371.8m compared with $268.7m.

Dean Witter combined with Reynolds Securities in January 1978 to create a firm with a combined capital of around $162m. However, blending the two firm's retail sales network and operating departments has taken longer and proved more costly than anticipated, and many jobs are still reportedly being eliminated in the quest for greater efficiency and economy.

Woolworth sees signs of weakness in some areas

LANCASTER—Mr. Edward F. Gibbons, chairman and chief executive of F. W. Woolworth, said that he has seen definite *signs of a weakening in the company's* soft goods earnings for the month of May, compared with a year ago.

The retail chain previously reported a 13 per cent sales gain for the month over May, 1978. The soft goods division includes Kinney Shoe Corporation, Richman Brothers Men's Clothes and Susie Junior Women's Stores.

Mr. Gibbons pointed out that Woolworth and Woolco stores in the U.S., plus International operations in Canada, Germany and Mexico, were good in terms of earnings in May. He said he still has not seen any figures for the UK operations.

Concerning the second quarter ending July 31, he said: "I'm not at all pessimistic about the results." The bulk of second quarter business is traditionally done in May.

In the year earlier second quarter, the company posted earnings of $15.9m or 51 cents a share on sales of $1.42bn.

Mr. Gibbons reiterated that he could not say much about a previous announcement that Loews Corporation has made a filing under the Hart-Scott-Roding Act to enable Loews to raise its holdings of Woolworth stock to more than $15m.

He would have to wait until Loews filed a form 13-D with the SEC to explain its reasons *for accumulating Woolworth* stock.

Later, at the annual meeting, Mr. Gibbons told shareholders that after four years of effort the group's financial position permits it to consider the significant new ventures it needs to broaden its base as a leading international retailer.

He noted several actions pertaining to identifying major shortcomings within the corporation. Where stores have been too large to be economically viable, their sizes are being reduced. "Dependence on licensees is being reduced on an accelerated basis."

In addition to considerations based on the energy question Mr. Gibbons cited other areas in which Woolworth is preparing for the 1980s.

"We have under study, several possible additions to our speciality store base which now accounts for about one-third of operating profits of the consolidated company. We have isolated some of the areas of speciality retailing which we think would add to the attractiveness of Woolworth and it is our goal to make one or more carefully selected acquisitions in the next year." AP-DJ

Hudson's Bay optimistic

VANCOUVER—Hudson's Bay Company is optimistic on earnings for the year ending January 31 next, which should be $3.05 a share compared with $2.74 last year, Mr. Donald McGiverin, president, stated.

But he said it was fair to say that in the past two months there had been some "fits and starts" in sales in all three merchandising companies—The Bay, Simpsons, and Zelers—which if continued through the traditionally strong third and fourth quarters would cause some problems if inflation were taken into account.
AP-DJ

Borden forecasts setback

NEW YORK—Second quarter results of Borden, the food and chemicals concern, will be about 5 to 10 per cent lower than last year's net income of $40.2m or $1.29 a share, the company said yesterday.

The results will be adversely affected by the interest rate on its short-term debt, problems in the distribution of speciality confectionery, competitive pricing of sugar and cheese, foreign exchange losses and price controls imposed in Brazil.
Reuter

INTERNATIONAL CAPITAL MARKETS

$500m ten-year loan for Denmark

BY OUR EUROMARKETS STAFF

MAJOR INTERNATIONAL banks are in the process of negotiating a $500m borrowing for Denmark in the Eurocurrency markets.

Preliminary discussions involve a proposed 10-year loan with a margin of ½ percentage points over interbank rates, according to bankers.

Despite current rumours of a *devaluation of the Danish* krone because of its weakness in the European Monetary System, bankers were stressing that this latest Danish Euromarket loan did not represent "emergency" balance of payments finance.

Denmark originally planned the $500m facility to take place in the first quarter of the year. But it delayed the operation because of strong capital inflows, chiefly into the Danish domestic bond market, in the opening months of the year.

Revised plans call for the borrowing to take place in the third quarter of 1979.

While foreign inflows have largely dried up, the country's foreign exchange reserves stand at DKr 23.8bn ($4.4bn) compared with DKr 13.7bn a year ago.

It is expected that the Citicorp International Group will be awarded the mandate to assemble the new loan.

In Tokyo, negotiations between a Japanese banking *syndicate* and the *Bank of* China for the $2bn 4-5 year loan, which is coupled with a $6bn refinancing facility, are deadlocked over a disagreement on an arbitration clause, according to bankers quoted by Reuter.

The syndicate and the bank have been negotiating a loan agreement following the signature last month of basic conditions for the credit, which is to carry a floating rate of interest of ½ percentage point over interbank rates.

Clauses in previous loans between China and Japan usually provided for arbitration by China's own state bodies, but the Japanese syndicate is pressing that because of its size any disputes over the $2bn credit should be settled in London under British law.

China has rejected this proposal, stating that such arbitration terms have not been presented by any country since the Chinese Republic was established in 1949. However, China is understood to have agreed with France to settle disputes over loan contracts through arbitration by the Stockholm Chamber of Commerce.

Meanwhile, the Taiwan industrial group, China Steel Corporation, has said it needs to borrow $700m from abroad to help finance its second phase expansion project, which calls for a total investment of $1.4bn.

Company officials said some commercial loans for the project have been tentatively arranged. They include a $100m syndicated loan offered by Manufacturers Hanover Trust and an $80m loan from Bank of America.

The Manufacturers Hanover loan is for nine years and carries a spread ⅞ point over interbank rates, while the seven-year Bank of America credit is priced ½ point over the bank's U.S. prime lending rate.

China Steel said its expansion will also be financed with equipment export loans with offers received from Japanese, U.S. and German suppliers and credit agencies.

In Seoul, the South Korean Economic Planning Board said in a report that the country plans foreign loans totalling $3.4bn this year, including $2.45bn in public loans, compared with a figure of $3.8bn last year.

South Korea obtained $625m in foreign loans in the opening five months of this year, and the balance would be easily achieved in the second half of 1979, according to board officials.

Sellers depress dollar Eurobond prices

BY FRANCIS GHILES

AS THE dollar weakened sharply for the third day running against major currencies apart from the yen, prices of dollar-denominated bonds slipped badly. Unlike earlier in the week when dealers were marking down prices to attract business, large blocks of bonds were on offer yesterday for the first time.

Worst hit were recent issues for U.S. corporate borrowers, with the lesser quality names registering the greatest falls. Most dealers believe it is only a matter of days before bonds for prime U.S. names fall into line.

The recent issue for Kennecott was quoted at 96½-97 yesterday against a price of 97¼-¾ the day before. The recent Pennwalt issue registered a fall of ¾ of a point on the day and was trading at 98¾-99¼ yesterday. Issues for prime names such as General Motors, which was trading at 98½-99, unchanged if not slightly better than on Wednesday, were holding up well.

Other issues were also badly hit: the $125m issue of bonds with warrants for Hoechst was being quoted in second-day trading at 96½-97¼.

Despite this gloomy background, another well-known U.S. corporate name has decided to tap the market, thus confirming the widely-held view that U.S. corporate treasurers believe interest rates are likely to move up further this summer. Continental Group Overseas Finance NV is arranging a $100m issue which includes a final coupon of 9⅝ per cent and a bullet maturity of seven years. Joint lead managers for this issue, which is fully underwritten by the lead managers, are Goldman Sachs and Lazard Frères and Co. The issue is guaranteed by Continental Group.

In the French franc sector, the recent FFr 100m six-year issue for Renault Finance, which carries a coupon of 9¼ per cent and was priced at par, is being quoted in the secondary market at 96½-7. As with all other French franc-denominated issues, it has been hit by the rise in domestic interest rates in France. The latest state bond, amounting to FFr 5bn, carries an interest rate of 10 per cent for 15 years, the first time for over a year that such a high yield has been available on a French state bond.

The $50m 12-year FRN for Société Générale, which carries an interest rate of ¼ per cent over the mean of the bid and offered three-month interbank rate and a minimum coupon of 5¼ per cent, has been priced at par with indicated conditions otherwise unchanged by the lead manager, Société Générale.

In early trading the Nat West FRN was quoted at 98¾ in the middle.

The next Kuwaiti Dinar-denominated issue is expected to be for the Republic of Indonesia early next week. This KD 7m issue will carry a coupon of 8¾ per cent for 12 years with repayment at the option of the investor after seven years. Lead manager is Kuwait International Investment Company.

Early next month a KD 10m five-year issue is expected to be floated for Mitsubishi Heavy Industries through Kuwait Investment Company and Morgan Stanley. This follows the recent award to the Japanese company of a large contract in Kuwait.

In the Swiss franc sector, a SwFr 80m 10-year public bond issue is being arranged for the Republic of Argentina through Swiss Bank Corporation. The borrower is paying an indicated coupon of 5¼ per cent.

Meanwhile, the SwFr 60m public issue for Autopistas del Mare Nostrum has been priced at 98 by the lead manager, Union Bank of Switzerland, to yield 5.26 per cent. The borrower is paying a coupon of 5 per cent.

TRW looks for rise in profits

CLEVELAND — TRW expects continued gains in sales and earnings from both domestic and foreign car and truck parts operations, Mr. Ruben F. Mettler, the chairman, said.

Car and truck parts account for more than 40 per cent of TRW's sales and more than half of operating profit.

TRW predicts a 7.5 per cent decline in sales of U.S. made cars this year but the company is benefiting from the swing to smaller cars. It sells more parts for each small car built than for each big car. Company economists are forecasting a slight increase in car production in Western Europe, Brazil and *Japan, where the company has* major operations.

Heavy truck sales in the U.S. will be down 7 per cent or so this year. But truck sales abroad are expected to rise.

TRW's industrial and energy products group is showing the sharpest earnings growth this year. Those operations brought in 27 per cent of first-quarter sales and 30 per cent of operating profit with operating profit jumping 55 per cent on a 19 per cent sales gain. The continuing strong earnings gain reflects high demand for bearings, fasteners and tools, which are typically cyclical. AP-DJ

City Investing expects increase

LOS ANGELES—City Investing, the insurance and financial services, housing and manufacturing group, expects net income for the second quarter to be up about 20 per cent to 22 per cent from last year's $28.2m or $1.07 a share.

Mr. George Scharffenberger, chairman, said, however, that despite this increase and a similar increase in the first quarter, he is staying with a previous forecast that earnings for the full year will be up about 10 per cent from last year's $112.4m or $4.27 a share. Revenues for the year will be slightly more than $4bn, up from last year's $3.79bn, he said.

He added that $750m of the revenue gain will come from the recently acquired Uarco and Servomation, both of which were taken over last year.

Mr. Scharffenberger said that the company had been talking to a number of commercial and investment bankers about possible long-term financing, either in U.S. dollars or Eurodollars, to replace current debt, but no decision had been made yet.
AP-DJ

Beatrice Foods moves ahead

CHICAGO — Beatrice Foods, the largest food processor in the U.S. has produced a 13.3 per cent increase in first quarter earnings, net profit rising from $63.67m or 66 cents a share in the corresponding 1978 period to $72.15m or 70 cents a share. Diluted earnings were 67 cents a share against 64 cents previously.

First quarter sales increased by 17.6 per cent, from $1.7bn to $2bn.

The company expects moderate gains in per share *earnings in the first half-year* to August 31, according to Mr. Wallace Rasmussen, chairman. First half earnings last year were $1.35 a share.

Second half gains should be better than the average gain over the past five years of 11 per cent.
Reuter

Reliance Electric bid

Enco, the wholly-owned subsidiary of Exxon Corporation, has started its cash tender offer for any and all outstanding shares of common stock and Series A preferred stock of Reliance Electric at $72 net per share of common stock and $202.72 net per share of Series A preferred stock, AP-DJ reports from New York. Morgan Stanley will act as dealer-manager for the offer.

Remington sued

North American Philips Corporation has filed a lawsuit charging Remington Products with an infringement of electric razor trademarks in violation of the Federal Trademark Act, reports AP-DJ from New York.

Hardee's spending

Hardee's Food Systems expects *capital spending to be around $65m in fiscal 1980, up from the* $56m projected for this year, according to Mr. Daniel E. Somers, vice president of finance, Reuters reports from New York. He said the company expects to open 55 to 60 of its own stores and about 100 franchise operations next year.

Expansion for Canada Steel

By Robert Gibbens in Montreal

CANADA'S largest steel manufacturer, the Steel Company of Canada, has brought forward a five-year C$365m expansion programme at its Hamilton and Nanticoke plants in Ontario.

This is to meet continuing strong demand and changes in the market. An 80-inch hot strip mill will be installed at the new Nanticoke plant with a capacity of about 1.2m tons. A continuous sheet galvanising line will be installed at Hamilton *with a capacity of* 222,000 tons, the fourth installation of its kind.

There will be also major modifications and upgrading at the Hamilton bar mills, the tinning lines and finishing facilities.

The total cost is over and above the amounts required to complete the new Nanticoke plant.

Sales decline at AEG-Telefunken

BY OUR FINANCIAL STAFF

TROUBLED West German electrical group AEG-Telefunken reports a decline in turnover for the first five months of this year. Management board chairman Herr Walter Cipa disclosed at yesterday's annual meeting that sales for the period were running some 5 per cent below those of the comparable 1978 period.

It was explained to shareholders, however, that the pattern of demand so far in 1979 was not representative of the group expectation for the year. For 1979 overall, the company sees domestic turnover rising by between 2 per cent and 3 per cent over the sales of DM 7.6bn achieved in 1978, Herr Cipa declared.

The company confirmed that AEG-Telefunken would remain in the red during 1979 after losses at the net level of DM 346.6m in 1978. Essential structural changes within the group will have an adverse impact on profitability both this year and next, Herr Cipa repeated. He also added that although incoming orders had risen by 3 per cent in the opening five months *of 1979* owing largely to an upturn in demand among the group's heavy plant operations, overall order positions would stagnate towards the end of this year.

The company has been in deep financial difficulties for most of this decade, losing money in three of the past five years. The major problem for AEG has centred on nuclear power contracts which were eventually transferred to the power station construction company, KWU, a joint venture with another German electrical group, Siemens. AEG subsequently sold its holding in KWU to Siemens, but is still weighed down with the net cost of extricating itself from the operation.

On a more optimistic note Herr Cipa pointed to the improvement in the consumer product operations. The market for electrical household goods will again be below average, but communications technology would once more show major growth.

DDG Hansa warns of continuing losses

BY GUY HAWTIN IN FRANKFURT

IRAN'S POLITICAL development's have hit DDG Hansa extraordinarily hard. It has not only lost freight earnings as a result of the troubles but also much equipment is marooned in the country.

The group, which passed its 1977 dividend after a sharp fall in profits, reported operating losses of DM 52m ($27.9m) for 1978. The balance sheet loss for the year was DM 17.4m and the management has warned that there will be further losses during the current year.

Until 1977, DDG Hansa had made a payout since 1956, but for shareholders the prospects appear to be slightly doubtful for well into the 1980s. The management is hoping that 1980 will see a return to break even.

The bulk of the group's operating losses came from the decline in the value of the dollar. In common with its West German competitors, DDG Hansa receives much of its revenue in dollars although a great deal of its overheads must be paid for in Deutsche Marks. The falling dollar, said the management, cost the group DM 40m last year.

Sales revenue last year fell back from 1977's DM 515m to DM 481.4m, with revenue from the shipping operations down from DM 403.5m to DM 359.2m. Personnel costs fell back from 1977's DM 92.2m to DM 83.6m.

Investment plunged from DM245.2m to DM 11.3m.

The Iranian problems have been particularly serious for the group which has a considerable business with the Middle East. Last year the line carried some 640,000 cargo tonnes from Europe and the U.S. to the area where 27 per cent went to Iran. Indeed, Iran accounted for some 21 per cent of the Hansa line's trade.

At the height of the crisis said the management, some 1,500 Hansa containers were locked in Iran, either in harbours or inland. About 1,0[illegible] containers and 50 trailers are still there.

Daf trucks to pull out of trailer manufacture

BY CHARLES BATCHELOR IN AMSTERDAM

DAF TRUCKS, the Dutch commercial-vehicle maker, will halt the production of trailers, which has been making a loss for several years, at the end of 1979.

Under a five-year development plan announced 18 months ago Daf said it would produce only standard trailers but it later reversed this decision and said it would continue making *custom-built trailers following* an improvement in the market. The latest decision, to stop this part of its activities altogether, is final and is based on gloomy long-term forecasts for the market.

About half of the 130 employees affected by this decision have already been found alternative jobs and the rest will also be placed elsewhere with the group.

Daf made 750 trailers in 19[illegible] The company incurred a net lo[illegible] of Fl16m last year on turnov[illegible] of Fl1.17bn ($560m).

● Elsevier-NDU, the recent[illegible] merged Dutch publishing grou[illegible] is continuing its expansi[illegible] abroad with the acquisition [illegible] the U.S. information syste[illegible] group, Education and Econom[illegible] *Systems (EES).* EES develo[illegible] software for planning, a[illegible] management informati[illegible] systems for schools and u[illegible]versities.

Elsevier intends to expand [illegible] activities in the non-tradition[illegible] distribution of informati[illegible] EES will form a part of t[illegible] American Elsevier Publishe[illegible] Company of New York.

Industrie Pirelli spending plans

MILAN—Industrie Pirelli Spa, the main Italian operating arm of the Pirelli-Dunlop Union, would invest L205bn ($244m) over the next four years under a financial rescue plan which has been submitted to the Government.

The plan provides for the backing of a banking consortium led by Mediobanca, under rules for such operations recently approved by Parliament.

The Pirelli proposals are based on a number of assumptions about the Italian economy between now and 1982, including an average annual growth rate of around 3.5 per cent, a reduction of inflation to around 10 per cent by 1982 from 16 per cent this year, and stability of wages in real terms.

The proposals foresee the growth of Industrie Pirelli sales from L654bn last year [illegible] L757bn this year, L901bn [illegible] 1980, L.1,000bn in 1981 a[illegible] L1,140bn in 1982.

Industrie Pirelli is 70 pe[illegible] cent owned by Pirelli Spa an[illegible] 30 per cent by Dunlop Holding and last year made a net lo[illegible] of L2.2bn.

● Meanwhile, the Agnel[illegible] family holding company IF[illegible] Spa has bought a 9.8 per ce[illegible] *stake in Italmobiliare Spa,* th[illegible] *holding company which* control[illegible] the financial participations o[illegible] the Italcementi group.

The shares were bought o[illegible] the Bourse in the course of [illegible] recent public offer of Ita[illegible]mobiliare shares for a price o[illegible] some L15bn.
Reuter

DOW CHEMICAL

High level of capital spending to continue

BY JOHN WICKS IN ZURICH

HEAVY CAPITAL expenditure is foreseen for the Dow Chemical group during the coming years, according to Mr. Paul F. Oreffice, president and chief executive officer of the parent undertaking, Dow Chemical Company. Over the past three years, he said here, investments have been at a high level of about $1bn-$1½bn annually. In 1979 this figure should reach about $1.25bn, the highest in the chemical industry.

At Dow Chemical Europe headquarters, Mr. Oreffice indicated that spending should continue at about or rather above this level during the coming five years, despite the pending completion of a number of major facilities. In future, investments are likely to be aimed more at extending existing production facilities rather than in building new plants.

Within this investment total, the European share is due to increase. Mr. Clyde H. Boyd, president of Dow Chemical Europe, said capital expenditure in the area had been of some $100m-$175m in recent years and in the near future was likely to rise to between $150m and $250m. Europe is seen as "at least maintaining" its 25 per cent share in group turnover in the coming years. Already, some $1.5bn is understood to have been invested by Dow in European facilities: among major plants due for consolidation are those at Terneuzen in Holland and Stade in Germany.

With regard to possible new acquisitions, Dow "has been looking and will continue to look" at opportunities in any market in Europe where the group feels it is at yet not sufficiently strong.

Earlier this month, Mr. Oreffice expressed his conviction that Dow Chemical's per share earnings would this year reach a record level of at least $3.50. He now says that there could be a return to the historical goal of at least 10 per cent earnings growth annually, starting in 1981.

Next year will show some improvement but "should not be a sparkling year," because of *costs on large start-ups of new* capacities. Following a 26 per cent jump in turnover to $2.08bn in the first quarter, Mr. Oreffice says new records are now being booked "almost monthly" in most sectors.

May sales are likely to reach some $780m and thus an all-time high, he indicated. So far this year, U.S. business has accounted for almost one-half (about 49 per cent) of group turnover and in future this share should remain at or slightly below the 50 per cent mark. At present, 1979 cash flow is estimated at around $1.1bn, with after tax earnings *of something like $700m.* Spending on research and development is now at $275m and tending to increase.

ors sets offshoot new p forge

am Dullforce in n

the Swedish armateel and chemicals establishing a new oed subsidiary, Bofors- build and run a new, ne drop forge for the i of axles and heavy ts for lorries. The nvestment will be ($45.5m) and will be unneed by state loans. cing the investment Mr. Claes-Ulrik Bofors' managing aid that the new forge nplete the restructur- he steel operations e been adding to the sses for some years.

sly, Bofors has tried ully to engage Metals of Japan and ig. the Swedish state mpany, as partners in lding of its forging Now the Swedish nt has agreed to con- regional development r 75m; while the state n responsible for the ng. of the special dustry is lending sta SKr 125m. nay also get a further oan to meet working eds, if the Riksdag at) approves a at proposal now under l.

subsidiary will have pital of SKr 100m with tting in assets valued m-200m and debts of.

press forge will have capacity of around nes.

er step in the restruc- the Swedish special stry was taken yester- n Uddeholm and nnounced final agree- the merging of their teel operations. m will own 90 per Granges 10 per cent res in the new com- by Uddeholm AB. incorporate Granges' it and the Uddeholm steel works at Munfors and The new company is o have a turnover of this year.

Oil price boost for Elf-Aquitaine

BY TERRY DODSWORTH IN PARIS

THE DRAMATIC impact of the escalation in energy prices on oil company profits has been demonstrated by a sharp upturn in results at Elf-Aquitaine, the French nationalised company, which has been suffering from problems in its refinery and distribution business.

Elf's overall position in the past few years has been good, with a strong cash flow. But it has improved on this in a striking fashion in the first five months of this year.

Up to the end of May, according to provisional figures, net consolidated profits rose to FFr 2.8bn ($646m) and cash flow to FFr 4.9bn. These can be measured against a forecast for the whole of 1979, given in early February before the effects of the Iranian revolution were clear, of a FFr 2.4bn profit and FFr 7.5bn of cash flow.

The group has now scaled up its forecast cash flow for the year to about FFr 10bn. The figures underline comments made in Paris recently by Mr. Clifton C. Garvin the head of Exxon, the world's largest oil company, to the effect that the oil crisis was bringing in unexpected profits for the group.

At Elf-Aquitaine, the improvements have been largely caused by increasing gas production, partly by the improvement in crude oil values, and partly by a rapid turn-around into profits in the refinery division. By contrast, the refineries lost FFr 400m last year, and have been a constant source of difficulties to the group.

During the rest of the year, Elf foresees some difficulties in sustaining supplies. In the first half of this year it has been able to furnish most of its needs but it is now running into problems because of the limitations imposed by Aramco, its principal supplier.

The oil crisis has, if anything, increased Elf's resolve to move further into the energy exploration business. Its increasing cash flow has enabled the company to divert more funds into this area this year than it had originally foreseen, and the exploration bill is expected to mount to FFr 2.2bn this year against FFr 2bn in 1978.

Investment in production will also rise, from FFr 2.3bn in 1978 to FFr 2.6bn, with oil output reaching 18m tonnes against 7.6m and gas 19bn cubic metres (against 15.7bn). Output will start soon from three wells in the North Sea and Africa.

M. Albin Chalandon, the chairman of the group, has also made it clear that Elf intends to push ahead in the refinery sector with its plans for treatment plants for heavy crudes, and also with its diversification projects.

The group remains cautious about the prospects for its recent oil discovery at Burosse in the western Pyrenees. The oil, which has been found in a joint exploration with Esso Rep, is a heavy variety with a high sulphur content, but it is thought at the moment that output from the find will be fairly marginal.

Belgium buys into major steel group

CHARLEROI — Belgium has taken a 46.3 per cent interest in the Hainaut-Sambre Steel company. The state has used debts owed by steel companies totalling BFr 10.6bn ($355.6m) to purchase the Hainaut-Sambre shares. It has also acquired a 49 per cent interest in the local steel trading company.

Hainaut-Sambre plans to invest the equivalent of $440m over the next five years, and to reduce the number of its workers by 2,500 to 10,500. Order books were "relatively good" and prices were improving but the 1979 first quarter had been hit by strikes.

The Charleroi operation is part of the state's drastic revamping of the ailing Belgian steel industry, itself part of a larger West European steel industry reorganization.

● BRUSSELS—The EEC Commission has authorised the merger of Usinor and Chatillon Neuves-Maisons as part of the restructuring of the French and EEC steel industry.

The new company will be called Usinor, and will have an annual turnover of some FFr 14bn.

Based on EEC 1977 production figures, the company will account for some 10.7 per cent of pig iron output, 7.5 per cent of crude steel production and 7.6 per cent of finished products.

Agencies

Peak Norwegian bank earnings

BY FAY GJESTER IN OSLO

NORWAY'S largest commercial bank, Den Norske Creditbank, reports profits before tax and depreciation of NKr 100m ($19.49m) in the first four months of 1979—the highest yet for a 4-month period, and equivalent to 1.82 per cent of average total assets. The figure for January-April last year was NKr 93.2m.

Average lending by the bank during the period rose by only 5.6 per cent, well within the government's lending limits. Relatively, deposits rose more steeply than lending and liquidity during the four months was good.

Total non-bank deposits rose by NKr 2.3bn in the 12 months to the end of April, with savings account deposits responsible for NKr 860m of the rise. New types of high interest savings accounts attracted much of the increase, and deposits by business and industry were also large during the period.

Bergan Bank, second largest of Norwegian commercial banks, made a profit before tax and depreciation of NKr 65.1m ($12.69m) in January-April 1979. The bank has not published a comparable figure for the same period last year, but a figure for the whole of 1978 was NKr 120.2m.

It says the result was better than a year earlier, despite considerably lower earnings from foreign currency trading, and it foresees a significantly better result for the year as a whole than in 1978. It attributes the 4-month improvement mainly to a rise in net interest income.

Non-bank deposits, in Norwegian kroner and foreign currencies, rose by 5 per cent in the four months, compared with a 19 per cent increase over the whole of 1978. Lending rose by 2.7 per cent, compared with 6 per cent during 1978.

● Increased profits are forecast by United Breweries of Denmark. Last year, which ended *September, 1978, group after-tax* earnings came to DKr 146m ($27.19m) with the parent net profits emerging at DKr 99.5m. Both profit levels will be exceeded in the current 12 months, the company reported yesterday.

Group results will be better mainly because of increased licence sales abroad for production of Tuborg and Carlsberg beer, rather than general sales, the company emphasised.

Downturn at Otis Elevators

BY OUR JOHANNESBURG CORRESPONDENT

OTIS ELEVATORS SA, owned 70 per cent by United Technologies of the U.S., has reported its first profit fall in seven years with pre-tax earnings down from R4.8m to R3.8m ($4.5m) for the six months ended May 31. However, the interim dividend was increased from 15 cents to 20 cents and a 20 cent final is forecast for the year-end.

Net attributable profits amounted to R2.2m, compared with R2.7m, to give earnings of 12.7 cents a share, against 16.1 cents in the comparable previous period.

By paying out the 20 cents interim dividend Otis has again distributed more than it earned. Previously the reason advanced for distributing more than earnings was that the company was highly liquid and until it found a suitable acquisition or expansion path, the cash balances allowed the high payments.

The profit fall over the six-month review period was expected. Mr. Philip Sceales, the chairman, said in his last annual review that the number of longer-term construction contracts brought to account in the current year would be lower than in the previous 12 months. This followed the low level of activity in the building and construction industry and vacant office capacity in the commercial centres.

* * *

BLUE CIRCLE Cement, a leading South African cement and engineering company, has increased its interim pre-tax profits by 50.2 per cent to over R4m ($4.7m).

Taxed attributable earnings for the group, in which Blue Circle Industries (UK) has a 55 per cent stake, are up 3.8 cents a share to 11 cents for the six months ended May 31.

The group has paid out a high percentage of interim earnings over the past two years and dividend has consequently been lifted by 1 cent to 6.5 cents a share.

Although the directors say that a comparison is distorted by 1978's abnormally low interim profit, the company did benefit considerably from higher domestic cement prices and fuller order books on the engineering side.

In the November 30, 1978 year the company earned an adjusted 36 cents a share. This year a reasonable increase is expected but not of the order of the interim gain.

At the latest share price of 250 cents the dividend yield is 7.4 per cent which is slightly above the sector average of 7 per cent.

T INTERNATIONAL BOND SERVICE

it shows the 200 latest international bond issues for which an adequate secondary market r further details of these or other bonds see the complete list of Eurobond prices published ond Monday of each month. Closing prices on June 21

	Issued	Bid	Offer	Change on day	week	Yield
XW 8½ 91	30	97⅞	98⅜	0	−0½	11.34
ap. 10⅛ 87	40	97⅝	98	−0⅛	−0½	10.65
XW 7⅞ 89	200	95¼	95⅝	0	−0¼	9.62
-99	50	95⅜	95⅞	−0⅛	−0⅛	9.87
3	400	†99	99½	+0⅛	0	9.42
6	350	98¼	98¾	+0⅛	+0⅛	9.68
cific 9⅝ 89	50	98⅝	99⅛	0	−0⅛	9.91
E. 10⅛ 91	40	99½	100	+0⅛	−0⅛	10.28
idge 10⅛ 84	30	99⅝	99⅞	−0⅛	+1⅛	10.35
O/S 9⅝ 84	300	99¼	99⅝	0	−0⅛	9.74
	125	†94½	95¼	+0⅛	+0⅛	9.59
	150	99⅞	100⅜	−0⅛	−0⅛	9.82
	100	100½	101	−0⅛	0	10.02
	150	100⅜	101½	−0⅛	−0⅛	9.90
	150	101	101½	−0⅛	−0⅛	10.10
pn. 9.85 84	150	101	101½	−0⅛	−0⅛	9.73
Cpn. 9⅝ 84	100	97⅝	98⅛	−0⅛	−0⅛	9.81
9 86	50	96⅛	96⅝	−0⅛	−0⅛	9.71
36	100	97¾	98¼	0	−0⅛	9.90
84	50	98⅛	98⅝	0	−0⅛	9.89
in. 9⅝ 85	50	99⅛	99⅝	−0⅛	−0⅛	9.85
9 83	25	96⅝	97⅛	−0⅛	0	9.92
Co. 10 94	50	100⅝	101⅛	−0⅛	−0½	9.84
8⅝ 90	30	91	91½	−0⅛	−0½	11.11
10⅛ 95	40	93½	94⅛	−0⅛	−0⅞	11.39
9⅛ 89	75	97¼	97⅞	−0⅛	−0⅛	9.88
89	75	97⅜	97⅞	−0⅛	−0⅛	9.88
nck 9⅝ 84	75	97¾	98¼	−0⅛	−0⅛	10.00
d 10 94	50	100	100½	−0⅛	−0⅛	9.95
9⅝ 84	50	95½	96	−0⅛	−0⅛	9.89
M	150	101	101½	0	−0⅛	9.62
84	150	97⅞	98⅜	−0⅛	−0½	9.72
Pwr. 9⅝ 89	50	98⅜	98⅞	−0⅛	−0½	9.99
Fin. 10⅛ 84	50	98⅝	99⅛	−0⅛	−0½	10.38
S F. 9⅝ 84	25	98⅞	99⅜	−0½	−0⅛	9.98
84	50	97½	98	−0½	−0⅛	10.60
ro 10 99	75	96½	97	−0⅛	−0⅛	10.39
XW 9⅛ 91	[illegible]	93	93⅝	+0⅛	+0⅛	10.49
nk 9 82	150	97⅞	98⅜	−0⅛	−0⅛	9.79
9⅝ 84	60	100⅝	101⅛	0	0	9.85
89	100	99⅜	99⅞	−0⅛	−0⅛	9.80
88	200	99⅜	99⅞	−0⅛	−0½	9.80
Intl. 10 84	2*	97	97½	−0⅛	−0⅛	10.74

MARK	Issued	Bid	Offer	Change on day	week	Yield
Int. 6½ 87	70	93¾	94	+0⅛	+0⅛	6.59
½ 88	150	89⅞	90½	+0⅛	−0⅛	8.03
½ 89	[illegible]	94⅝	95⅛	+0⅛	+0⅛	8.28
88	250	94½	95⅛	+1⅛	+0⅛	6.76
90	150	88⅝	89	+0⅛	+0⅞	7.25
rcello 7⅛ 88	100	95⅞	96⅜	0	+0½	7.98
esas 6⅝ 89	100	97⅛	97⅝	0	+0⅛	7.11
gerie 7⅛ 85	100	94⅝	95⅛	+0⅛	+0⅞	8.33
	150	96⅝	97⅛	+0⅛	+0⅛	7.78
	150	90⅜	90⅞	+0⅛	+0⅛	7.44
	150	97⅜	97⅞	+0⅛	+0½	7.30
City 6 90	75	88⅜	88⅞	+0⅛	+1	7.54
ur. 6⅝ 88	[illegible]	92	92½	+1⅛	+0⅛	7.40
ur. 7⅛ 89	100	98½	99	+0⅛	+0⅛	7.43
85	100	93½	94⅛	−0⅛	0	7.10
89	100	93⅞	94⅜	+0⅛	0	7.37
	300	89⅜	90⅜	+0⅛	+2	7.33
	200	93½	94	+1	+1½	7.31
	200	99⅞	100⅜	+0⅛	+0⅛	7.48
razil 7 87	100	94⅝	95	0	+0⅛	7.93
89	100	98½	99⅛	+0½	+4⅛	6.68
3	150	98⅝	99⅛	+0⅛	+0⅛	6.32
7 84	100	96⅝	97	0	+0⅛	7.79
7 89	150	88⅝	89⅛	0	+0½	7.18
Chem. 6⅞ 84	70	99⅞	100⅜	0	+0⅛	6.43
d 6⅝ 87	200	96⅛	97	+0⅛	+0⅛	6.83
an 6½ 84	100	99⅝	100⅛	+0⅛	+0⅛	6.49
& T. 5⅞ 87	[illegible]	91⅜	92⅛	+0½	+1⅛	6.92
Bk. 6⅛ 88	60	95¼	96	+0⅛	+0⅛	7.10
84	200	99⅝	100⅜	0	+0⅛	6.18
6⅝ 90	150	93	93½	0	+0⅛	7.65
1	100	96⅝	97⅛	+0⅛	+0⅛	6.97
	40	91	92	0	+0⅛	7.50
3	150	92⅝	93⅛	+1⅛	+1⅛	7.10
89	150	*†96½	97⅛	0	0	6.95
Pwr 6⅛ 85	200	97⅜	97⅞	+0⅛	+0⅛	7.00
½ 90	150	89⅞	90⅜	+0⅛	+0⅛	7.82
6⅛ 88	400	91⅞	92⅜	+0⅛	+0⅛	7.41

ANC S	Issued	Bid	Offer	Change on day	week	Yield
Int. 3½ 93	40	91½	92	+1⅛	+1½	4.28
Bank 3½ 94	100	83¼	83½	+0½	+0⅛	5.14
93	100	87⅛	87⅝	+1⅛	+1⅛	4.71
89	250	93½	93¾	+0⅛	+0⅛	4.44
93	100	93⅜	93⅞	+0½	+1⅛	5.11
89	300	93⅞	94⅛	+1⅛	+1⅛	4.39
hattan 4 93	70	97½	97¾	+0⅛	+1⅛	4.22
Eur. 4⅛ 90	100	95	95⅝	+0⅞	+2½	4.81
e 3⅝ 93	80	96	95¾	+1⅛	+2⅛	4.18
3	75	100	100⅛	0	+2⅛	4.98
½ 90	100	98½	99	+0⅛	+1½	4.64
ith 4½ 89	25	98	98⅝	+1⅛	+1⅛	4.70
9	35	91⅜	91⅞	+0⅛	+0⅛	5.39
3½ 94	230	92	92½	+1⅛	+3⅛	4.22
⅛ 90	80	96	96⅝	+0⅛	+0⅛	5.21
nd 3½ 94	128	91	91½	+1⅛	+2	4.32
1	100	91	91½	+0½	+1⅛	4.74
Lanka 4 90	60	93½	93¾	+1	+2⅛	4.7
4⅝ 93	50	96⅝	96½	+0⅛	+0⅛	5.73
90	[illegible]	93½	93⅞	+0½	+5	4.73
1	100	†91½	97⅛	+0⅛	+1	4.36
3	100	92	92½	+0⅛	+1⅛	4.77
na 4⅝ 89	90	103½	103⅞	+0⅛	+1⅛	4.31
k 4⅛ 93	250	95	95⅝	+0⅛	+1⅛	4.73
k 4⅞ 88	100	103⅛	103⅝	+0½	+1½	4.21

IGHTS	Issued	Bid	Offer	Change on day	week	Yield
5⅝ 88	75	85⅜	85½	−0⅛	−0⅛	7.93
8 83	30	91⅞	92⅞	0	0	7.86
6⅞ 88	20	90⅝	91⅜	0	+0⅛	8.06
3	10	90⅞	91⅜	−0⅛	−0⅛	8.22
8 83	10	90⅝	91⅝	−0⅛	−0⅛	8.37

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Nordic I. Bk. 8 84 SDR	20	97	98½	+0⅛	+0⅛	9.56
Avco Fin. 10⅛ 88 C$	25	96½	97	−0⅛	−0⅛	10.93
Ex. Dev. Cpn. 10 84 C$	[illegible]	98⅞	99⅜	−0⅛	−0⅛	10.22
Fst. Can. Inv. 10 84 C$	50	98½	99	0	−0⅛	10.33
Hudson Bay 10½ 89 C$	60	99⅝	100⅛	−0⅛	−0⅛	10.51
Quebec 10⅛ 88 C$	50	98	98½	0	−0⅛	10.61
R. Bk. Canada 10 88 C$	40	99⅝	100⅛	0	−0⅛	9.99
R. Bk. Canada 10 94 C$	40	95⅝	96⅛	−0⅛	−0⅛	10.45
Copenhagen 8⅝ 91 EUA	25	97⅛	98⅛	−0⅛	−0⅛	8.54
Komm. Inst. 7½ 93 EUA	15	95⅜	96⅜	−0⅛	−0⅛	8.00
Panama 8⅛ 93 EUA	20	95	96	0	0	8.81
SOFTE 8⅛ 89 EUA	40	96⅛	97	+0⅛	−0⅛	8.61
Algemene Bk. 6½ 83 Fl	75	[illegible]	93⅞	0	0	8.25
CFE Mexico 7½ 83 Fl	75	94½	95⅛	+0⅛	0	9.30
EIB 7⅛ 85 Fl	75	91⅜	91⅞	0	−0⅛	9.07
Ned. Middbk. 8⅛ 84 Fl	75	98⅛	99	+0⅛	+0⅛	8.80
New Zealand 6⅝ 84 Fl	75	90⅝	91⅛	−0⅛	−0⅛	9.06
Norway 8⅛ 84 Fl	100	97⅞	98⅜	0	+0⅛	8.70
Elf Aquitaine 9⅝ 88 FFr	150	95⅞	96⅜	0	−0⅛	10.37
EIB 9⅝ 88 FFr	200	96	96½	−0⅛	−0⅛	10.38
Euratom 9⅝ 87 FFr	150	96½	97¼	0	−0⅛	10.39
Norway 9⅝ 84 FFr	200	96½	97½	−0⅛	−0⅛	10.06
PSA Peugeot 9⅝ 87 FFr	175	95⅞	96⅝	−0⅛	−0½	10.47
Saint-Gobain 9½ 86 FFr	130	96⅛	97⅛	−0⅛	−0⅛	10.45
Solvay et Cie 9⅝ 87 FFr	125	96⅝	97⅛	−0⅛	−0⅛	10.38
Total Oil 9⅝ 87 FFr	150	94	95	−0⅛	−0⅛	10.43
Unilever 10 85 FFr	100	98½	99½	−0⅛	−0⅛	10.19
CECA 9⅝ 89 £	20	90⅜	90⅞	0	−0⅞	11.27
Citicorp 10 93 £	20	90	90⅝	+0⅛	−0⅛	11.40
EIB 9⅝ 88 £	25	90⅛	91⅛	0	−0⅛	11.47
EIB 11½ 91 £	25	95⅜	96⅛	0	+0⅛	12.19
Finance for Ind. 13 91 £	15	100⅛	101⅛	+0⅛	−1⅛	12.85
Gen. Elec. Co. 12½ 89 £	50	98½	99¼	−0⅛	−1⅛	12.68
Euratom 8 87 LuxFr	500	97⅛	98⅛	0	−0⅛	8.42
Norges Km. 8 86 LuxFr	500	96⅞	97⅞	0	−0⅛	8.47
Oslo, City of 8 88 LuxFr	500	97½	98½	0	−0⅛	8.30
Solvay Fin. 8 85 LuxFr	500	96⅝	97⅝	0	−0⅛	8.59
Swedish Bk. 8 88 LuxFr	600	†96⅛	97⅛	0	−1	8.61

FLOATING RATE NOTES.	Spread	Bid	Offer	C.dte	C.cpn	C.yld
BFG Fin. Cp. M5.5 89	0⅛	98⅝	99⅛	12/7	12.4	12.54
Banco di Roma M6 87	0⅛	98⅜	98⅞	26/10	11.19	11.34
Bco. El Salvador M8 83	1⅛	95	95¾	12/10	12⅛	12.84
Bco. Nac. Argent. 7 86	0¾	97½	98	22/9	11½	11.76
Banco Prov. BA M7⅛ 86	0⅛	98⅛	99	12/6	11	11.15
Banco Urquijo 6 86	0⅛	97⅞	98⅜	21/9	11½	11.72
Bank of Tokyo M5½ 93	0⅛	98⅝	99⅛	18/10	11⅝	11.87
Bq. Ext. d'Alg. M7.5 85	0⅝	95⅛	95⅞	2/11	11⅞	12.43
BNP 5½ 91	0⅛	98⅜	98⅞	22/2	11⅛	11.53
Citicorp O/S Fin. 6 94	0⅛	99½	100	8/9	10.69	10.71
Creditanstalt M5½ 91	0⅛	98½	99	14/9	10⅞	11.01
Gotabanken M6 88	0⅛	98⅜	98⅞	15/5	11½	11.66
Ind. Bk. Japan M5½ 86	0⅛	99½	100	1/12	10.94	10.97
Jugobanka M8 88	0⅛	96⅝	97⅛	23/11	11⅞	12.29
LTCB Japan M5⅛ 85	0⅛	99½	100	9/10	11⅝	11.65
LTCB Japan M5½ 88	0⅛	98⅝	99⅛	7/12	11⅛	11.18
Mfrs. Han. O/S M5⅛ 94	0⅛	99⅛	99⅝	23/8	11.19	11.28
Nipp. Crdt. Bk. M5.5 85	0⅛	99⅛	99⅝	22/6	12.81	12.89
OKB M5⅛ 88	0⅛	99⅛	99⅝	18/10	11.44	11.49
Petro Mexicano M7 84	0⅛	98⅞	99⅜	24/7	12.06	12.18
Privredna Banka M8 86	0⅞	95⅞	96⅜	20/12	11.58	12.03
Sundsvallsbnkn. M6 85	0½	98⅜	98⅞	4/10	11.06	11.22
Texas Int. Air. M7 86	0⅛	96⅝	97⅛	11/10	11⅛	11.61
TVO Pwr. M9 91 (D-L)	0⅛	97⅞	98⅜	24/11	11⅛	11.34
Utd. Overs's Bk. M6 89	0⅛	97⅝	98⅛	29/9	11.14	11.38

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Baker Int. Fin. 5½ 93	1/79	34	126	127	−1⅛	1.80
Ciba-Geigy O/S F 4 94	9/79	675	92⅝	93⅝	+0⅛	−15.24
Coca-Cola Bottling 6⅝	4/79	9	87½	89	−0⅛	19.80
Credit Suisse 4⅝ 93	10/79	1326	99⅝	100⅛	+0⅛	2.78
Esselte 7⅛ 89	9/78	159	96½	97⅛	0	8.67
Honda Motor 5½ 89	5/79	532	96⅝	97⅛	+0⅛	−0.72
Nitto Elec. Ind. 6 94	7/79	735	†87	88	−1	2.44
Novo Industri 7 89	4/79	259	87	89	0	11.53
Texas Int. Air. 7½ 93	4/79	14.5	85½	86½	−0⅛	26.40
Thorn Int. Fin. 7 88	11/78	3.67	127⅞	128⅞	−0⅛	−1.70
Asahi Optical 3½ DM	12/78	588	82	83	+0⅛	8.71
Casio Cp. 3½ 85 DM	11/78	841	84⅝	85⅛	+0⅛	17.23
Fujitsu 5 84 DM	7/79	475	†97½	98½	+0½	18.76
Jusco 3½ 86 DM	1/79	1154	81⅛	82⅛	+1⅛	32.21
Kansai Elec. 4 84 DM	4/79	1350	87	88	+0⅞	24.95
Konishiroku 3½ 85 DM	1/79	612	83⅜	84½	+0⅛	14.78
Marudai Food 3½ DM	2/79	1033	78⅛	79⅛	+0⅛	36.80
Murata M. 3½ 86 DM	11/78	854	84½	85½	+1⅛	7.30
Nippon Ysn. 3½ 85 DM	1/79	251	124⅝	125½	+3⅛	−1.65
Nissan Diesl. 3½ 86 DM	2/79	477	87⅝	88⅝	+0⅛	7.68
Olymp. Opt. 3½ 85 DM	2/79	703	92⅛	92⅞	−0⅛	0.59
Sharp Con. 3½ 88 DM	2/79	487	†89⅛	89⅝	−0½	12.12
Stanley Elec. 3½ DM	11/78	623	†81½	82½	0	45.53
Tokyo Elec. 3½ 87 DM	4/79	476	90	90⅝	−0⅛	34.27
Tokyu Ld. Cp. 4 86 DM	4/79	493	82⅛	83⅛	+0⅛	18.36
Trio-Knwd. 3½ 86 DM	11/78	711	79⅝	80⅝	+0½	36.09

* No information available—previous day's price.

† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. M=Minimum coupon. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate for U.S. dollars. C.cpn=The current coupon. C.yld=The current yield.

Convertible bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

INTERNATIONAL BANK LENDING

Sharp acceleration in underlying growth of credit in final quarter

BY JOAN EVANS

INTERNATIONAL bank lending expanded by a record $100bn to a total of just over $900bn in the final quarter of 1978, according to the latest report of the Bank for International Settlements (BIS).

The Basle-based BIS attributes this growth to the combined influence of the exchange market crisis last year and banks' year-end window-dressing operations. The fourth-quarter expansion followed a sharp $68bn rise in lending in the third quarter.

The BIS statistics measure lending, by dollar value, of the banks in the Group of 10 countries, plus Switzerland, Luxembourg and some other European nations and U.S. bank branches in offshore centres.

The coincidence of currency upheavals, plus the banks' year-end accounting operations, meant that an unusually large proportion of the increase in the gross figures in the last quarter arose out of interbank deposits in the reporting area, the bank says.

Nevertheless, the underlying growth of international bank credit appears to have accelerated quite substantially—from barely $25bn in the third-quarter to $35bn in the final quarter to reach $540bn.

Excluding other double-counting and interbank factors, the increase in cross-border bank lending to final borrowers was probably in the range of $15bn-$20bn, it estimates.

The BIS expects, however, that first-quarter 1979 statistics are likely to show little further growth in international banking lending, due to the unwinding of year-end operations and reversal or earlier outflows from the dollar into other currencies.

The movement out of the dollar into other currencies during the fourth quarter was reflected in the pattern in international bank activity, it adds.

There was a sharp increase of $21.4bn, or 20 per cent, in external claims of banks in the U.S. This reflected in part the eagerness of the rest of the world to build up short positions or to cover long positions in dollars.

The external liabilities of U.S. banks also went up substantially, by $10.7bn, since the relative attraction to U.S. banks of taking up funds from banks abroad increased following the abolition of reserve requirements on this form of borrowing, the BIS states.

"Nevertheless, that still left a net outflow through the U.S. banking system of $10.7bn, by far the largest source of dollars during this period."

The bank adds that, contrary to patterns in first-quarter 1978, the distrust of the dollar did not give rise to a reduction of its share in international banking transactions.

Even in the reporting European area, banks' positions in foreign currencies other than dollars accountd for only 29 per cent of the growth of assets and for 21 per cent of liabilities.

An important reason for this was the barriers erected in Switzerland against money inflows. This made it difficult for the Euro-banks to lend Euro-Swiss franc funds.

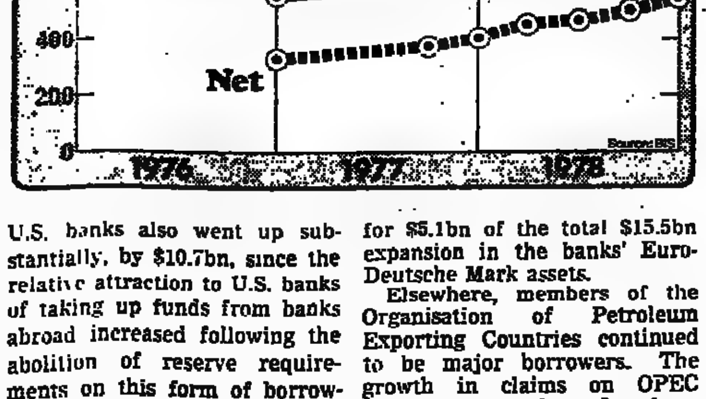
Instead, most of the growth of the non-dollar component of the Euromarket was in Deutsche Marks, where there were no major impediments to money inflows, the BIS observes.

Claims on Germany accounted for $5.1bn of the total $15.5bn expansion in the banks' Euro-Deutsche Mark assets.

Elsewhere, members of the Organisation of Petroleum Exporting Countries continued to be major borrowers. The growth in claims on OPEC members accelerated from $5.2bn to $7.3bn in the final quarter.

However, deposits by OPEC members, which had shown hardly any growth during the first nine months of 1978, recorded a very substantial increase of $5.8bn, the BIS notes.

Nearly half of this—$2.5bn—was placed with banks in the U.S. and with their offshore centre branches. The other largest portion—$2.2bn—was placed in the Euromarkets. By currencies, more than $3bn of the new OPEC deposits were denominated in dollars.



Battle for CSBP takes a new turn

By John Rogers in Sydney

The LONG-STANDING battle for control of West Australia's only fertiliser group, CSBP and Farmers has sprung back to life with the announcement that the Farmers Union of Western Australia is to make a counter-bid for control of the one-third stake in the company held by Westralian Farmers Superphosphate (WFS) if the bid by Westralian Farmers Cooperative (Wesfarmers) fails.

The move comes after a takeover approach for the WFS holding at the end of last month.

Wesfarmers, which already holds a commanding stake in CSBP after buying control of Cuming Smith's one-third stake, so that control of WFS would give it control of CSBP. The other one-third partner in CSBP is BP Australia.

The Farmers Union proposal involves the formation of a holding company for CSBP, offering WFS members four A$1 shares for each A$2 WFS share or A$3.60 in cash for each share. The Farmers Union says that the bid values WFS at A$25.5m in shares or A$23m in cash. It lines up against Wesfarmers' offer of 49 Wesfarmers shares for every 30 WFS shares, or one Wesfarmers share plus A$1 cash for each WFS share—valuing WFS at around A$20.8m.

Farmers Union representatives said that their action had been taken so that WFS shareholders could realise the full "increased" value of their interest. Under their scheme the holding company would represent the interests of WFS members, BP and existing shareholders in CSBP. The Farmers Union also said that it would consider buying out the remaining shareholders in CSBP if its bid for WFS was successful.

The latest scheme has been prepared with the assistance of the merchant bank, BT Australia, which has indicated that it would be prepared to underwrite the offer.

Wesfarmers has reacted angrily to the counter-move, saying that the Union was refusing to accept a Trade Practices Tribunal decision that Wesfarmers was the only viable way to give total farmer ownership of the fertiliser group. The directors argued that the proposed counter-bid should be viewed as disruptive because of a Supreme Court ruling that the WFS shares are under contract to Wesfarmers until a bid by that company has failed to reach minimum acceptance of 75 per cent.

New issue to fund Pennsylvania shopping complex

BY OUR SYDNEY CORRESPONDENT

INTERNATIONAL Income Property, the U.S. property company, has issued a prospectus seeking U.S.$10.25m from U.S., UK and Australian investors to fund its expanding shopping centre interests. The company, which is managed by the Australian property group, Lend Lease Corporation, is offering 10,000 shares of common stock with no par value at US$1,025 a share.

The funds raised will be used to help pay for a 50 per cent stake in Pennsylvania's biggest shopping complex — the Park City Centre — and to inject extra working capital in the group's existing asset, the Oslethorpe Mall, in Georgia.

Mr. G. J. Duesseldorp, the chairman of Lend Lease, said in Sydney: "We are looking for about 300 shareholders to take up the issue so we can apply for Over-the-Counter listing in the U.S." He expected about half the issue to be taken up in Australia, as IIP — which was formed in Delaware only in March 1977—had not developed a reputation in America. IIP is managed and advised by Dusco of the U.S., which in turn is owned equally by Lend Lease and Mr. Dusseldorp.

The offer also carries a tax advantage in so far as the directors consider that the group will not incur any significant tax liability to U.S. Federal income tax to its shareholders. It would; they said "otherwise comply with the revelant provisions of the U.S. Internal Revenue Code relating to real estate corporations."

The purchase of the Park City Centre — the 10th biggest such complex in the U.S., with 160 shops—will cost U.S.$41.5m, with IIP being called on to contribute half, or U.S.$12.5m of the U.S.$25m cash component. This is to be paid by an instalment of U.S.$7.75m next month and the balance in July, 1980. Mr. Dusseldorp said that another issue would be considered in about 12 months to fund the second payment.

The remainder of the deal will be satisfied by a first mortgage of U.S.$16.5m over 25 years at an interest rate of 7.5 per cent.

Plea for official bond market support in Japan

TOKYO—The Japanese Finance Ministry should use the surplus fund in its Trust Fund Bureau—estimated at Y7,000bn (over $30bn) on March 31, 1979—for active underwriting and purchases of National Bonds, to stabilise the capital market, Sumitomo Bank has urged.

The surplus fund increased by an estimated Y4,850bn in the two-year period ended March 31, because receipts from postal savings and national welfare annuity insurance continued to increase despite the recession, while lending to semi-official institutions slowed, the bank said.

The fund of the Trust Fund Bureau, which belongs to the Japanese Government's fiscal loan and investment programme, increased sharply, even though the Ministry continued to issue large amounts of National Bonds to cover deficits in its general accounts, according to Sumitomo.

The Finance Ministry had discounted reporting the Bureau's surplus funds from the 1965 fiscal year, but the bank said that it had reached the figures given by computing the fund's yearly balances.

The Ministry claimed that part of the surplus fund is in reality committed for some future uses, although the amount of commitments are not disclosed.

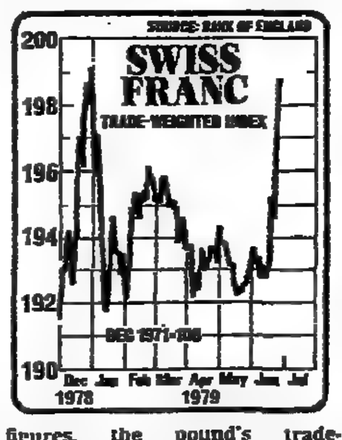
Reuter

Companies and Markets

CURRENCIES, MONEY and GOLD

Pound firm

STERLING CONTINUED to rise in very busy trading in the foreign exchange market yesterday, while the U.S. dollar remained very weak. The pound opened at $2.1310-2.1320, and fell to a low of $2.1270-2.1280 in early trading, before commercial buying gained the upper hand once again. The Bank of England probably intervened in a modest way to stem sterling's rise at various times, but the pound continued to advance, touching $2.1480-2.1490. Profit-taking was responsible for the easing towards the close, but sterling still finished at its highest closing level since August 1975, at $2.1395-2.1405, a rise of 70 points on the day. On Bank of England figures, the pound's trade-weighted index rose to 68.9 from 68.6, the highest level since March 1976, and stood at 69.0 at noon, and 68.6 in early trading.



The Swiss National Bank and West German Bundesbank may have intervened to support the dollar, with the German central bank certainly buying dollars at the Frankfurt fixing. The U.S. currency fell to DM1.8580 from DM1.8640 against the D-mark, and to SwFr 1.6605 from SwFr 1.6740 in terms of the Swiss franc.

The dollar's index, as calculated by the Bank of England, fell to 85.7 from 85.8.

FRANKFURT — The Bundesbank bought $20m to support the dollar, when the U.S. currency was fixed at DM 1.8584 against the D-mark, compared with DM 1.8597 previously. This was the seventh consecutive fall for the dollar at the Frankfurt fixing, from a level of DM 1.9142 last Tuesday, and was the lowest fixing level this month. Trading moved within a range of DM 1.8565 and DM 1.8665 before the fixing, with wide fluctuations expected ahead of next week's meeting of the Organisation of Petroleum Exporting Countries. By late afternoon, the dollar stood at DM 1.8585.

MILAN—The lira improved against other members of the European Monetary System, after declining on the previous four trading days. The D-mark eased to L451.36 from L451.61, and the dollar was also weaker, *falling to L839.05 from L839.55.* The Bank of Italy sold $7.5m of the $13.7m traded officially. Sterling was very strong, rising to L1,799.50 at the fixing, from L1,787.20 on Wednesday.

TOKYO—The dollar weakened against the yen in moderate trading, closing at Y218.90, compared with Y219.12½ previously. After opening at Y218.80 the U.S. currency touched a high point of Y219.15 on buying for import settlements. Trading was within a narrow range ahead of the Organisation of Petroleum Exporting Countries meeting, and the Tokyo economic summit conference next week.

THE POUND SPOT AND FORWARD

June 21	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	2.1270-2.1490	2.1395-2.1405	0.65-0.55c pm	3.36	1.68-1.58 pm	[illegible]
Canada	2.5065-2.5250	2.5145-2.5165	0.67-0.57c pm	2.96	1.63-1.53 pm	[illegible]
Nethlnd.	4.35-4.40	4.37½-4.38½	2¾-1¾c pm	6.00	6-5 pm	[illegible]
Belgium	63.60-64.00	63.78-63.88	31-21c pm	4.89	88-58 pm	[illegible]
Denmark	11.44-11.50	11.45½-11.46½	3-1ore pm	2.09	2¾-¼ pm	[illegible]
Ireland	1.0545-1.0565	1.0545-1.0555	20-30p dis	−2.84	67-77p dis	[illegible]
W. Ger.	3.96-4.00	3.97½-3.98½	3¼-2¼pf pm	8.30	8¼-7¼ pm	[illegible]
Portugal	104.50-106.00	104.90-105.20	40-100c dis	−8.00	130-230 dis	[illegible]
Spain	140.50-142.00	141.15-141.40	70-20c pm	3.82	90-40 pm	[illegible]
Italy	1,789-1,801	1,794½-1,795½	2¼-¼ lire pm	0.84	3½-1½ pm	[illegible]
Norway	10.92½-10.98½	10.93¼-10.94¼	5¾-3¾ore pm	4.86	14¼-12¼ pm	[illegible]
France	9.21-9.27	9.23½-9.24½	3¼-2¼c pm	3.74	7½-6½ pm	[illegible]
Sweden	9.19-9.25	9.21-9.22	3¼-1¼ore pm	3.58	8¾-6¾ pm	[illegible]
Japan	464-472	468-469	3.70-3.35y pm	9.03	9.60-9.15 pm	[illegible]
Austria	29.15-29.50	29.25-29.30	21-11gro-pm	6.56	47-37 pm	5.7
Switz.	3.54-3.59½	3.54⅞-3.55⅞	4¼-3¼c pm	13.08	11½-10½ pm	[illegible]

Belgian rate is for convertible francs. Financial franc 66.20-66.30c pm. Six-month forward dollar 2.74-2.69c pm; 12-month 4.80-4.70c pm.

THE DOLLAR SPOT AND FORWARD

June 21	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	2.1270-2.1490	2.1395-2.1405	0.65-0.55c pm	3.36	1.68-1.58 pm	3.0
Ireland†	2.0250-2.0330	2.0270-2.0320	1.10-0.90c pm	5.91	3.10-2.90 pm	5.8
Canada†	84.90-85.15	85.06-85.08	0.04-0.02c pm	0.42	0.12-0.08 pm	[illegible]
Nethlnd.	2.0410-2.0450	2.0415-2.0435	0.56-0.45c pm	2.94	1.23-1.13 pm	2.3
Belgium	29.80-29.88	29.84-29.86	3.5-2.5c pm	0.40	7-5 pm	[illegible]
Denmark	5.3600-5.3650	5.3600-5.3625	0.75-1.25ore dis	−2.24	2.75-3.25dis	−2.2
W. Ger.	1.8570-1.8610	1.8575-1.8585	0.81-0.71pf pm	4.97	2.27-2.17 pm	4.7
Portugal	48.05-49.30	49.10-49.20	25-45c dis	−8.77	90-130 dis	[illegible]
Spain	66.00-66.10	66.03-66.06	5-15c dis	−1.82	25-35 dis	[illegible]
Italy	838.50-839.90	838.90-839.20	2.00-2.50 lire dis	−3.22	5-5.75 dis	[illegible]
Norway	5.1080-5.1325	5.1085-5.1095	1.30-0.80ore pm	2.47	2.80-2.30 pm	[illegible]
France	4.3170-4.3250	4.3175-4.3200	0.10c pm-par	0.14	par-0.20 dis	[illegible]
Sweden	4.3060-4.3125	4.3060-4.3070	0.20ore pm-par	0.28	0.55-0.35 pm	[illegible]
Japan	218.70-219.20	218.80-219.00	1.05-0.95y pm	5.48	2.80-2.70 pm	[illegible]
Austria	13.67-13.71	13.67-13.68	3.90-2.90gro pm	2.98	10.75-7.75 pm	[illegible]
Switz.	1.6600-1.6750	1.6605-1.6625	1.35-1.30c pm	9.57	4.00-3.95 pm	[illegible]

† UK, Ireland and Canada are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

CURRENCY RATES

June 20	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	14	0.604026	0.656429
U.S. $	9½	1.28418	1.38162
Canadian $	11¼	1.50640	1.59018
Austria Sch.	3¾	17.5836	18.5057
Belgian F.	9	38.3199	40.4135
Danish K.	8	6.88320	7.25617
D mark	4	2.38819	2.51672
Guilder	7	2.61844	2.76231
French Fr.	9½	5.53867	5.84373
Lira	10½	1078.07	1132.17
Yen	4¼	280.850	293.572
Nrwgn. K.	7	6.58142	6.92591
Spanish Pes.	8	84.8867	88.5612
Swedish Kr.	6½	5.52775	5.81677
Swiss Fr.	1	2.14845	2.27104

CURRENCY MOVEMENTS

June 21	Bank of England Index	Morgan Guaranty changes %
Sterling	68.9	−36.0
U.S. dollar	85.7	−7.6
Canadian dollar	80.6	−17.5
Austrian schilling	146.5	+18.8
Belgian franc	113.5	+13.3
Danish kroner	113.8	[illegible]
Deutsche Mark	[illegible]	+42.5
Swiss franc	198.8	+83.7
Guilder	123.2	+16.7
French franc	98.9	−7.1
Lira	54.6	[illegible]
Yen	131.5	+30.5

Based on trade weighted changes from Washington agreement December, 1971 (Bank of England Index=100).

OTHER MARKETS

June 21	£	$		£ Note Rates
Argentina Peso	2768-2788	1295-1303	Austria	28¾-29¾
Australia Dollar	1.9195-1.9245	0.8970-0.8995	Belgium	65.60-66.60
Brazil Cruzeiro	54.25-55.25	25.35-25.80	Denmark	11.47-11.57
Finland Markka	8.40-8.42	3.9285-3.9316	France	9.17-9.27
Greek Drachma	77.891-79.769	36.40-37.25	Germany	3.92-4.02½
Hong Kong Dollar	10.94½-10.96½	5.1150-5.1170	Italy	1,765-1,805
Iran Rial	151.60-160	72-75	Japan	465-475
Kuwait Dinar (KD)	0.585-0.595	0.2773-0.2775	Netherlands	[illegible]
Luxembourg Frc.	63.78-63.88	29.82-29.84	Norway	10.90-11.00
Malaysia Dollar	4.6770-4.6880	2.1875-2.1885	Portugal	101-105
New Zealand Dlr.	2.1290-2.1390	0.9950-0.9995	Spain	139-142
Saudi Arab. Riyal	7.20-7.26	3.3930-3.3950	Switzerland	[illegible]
Singapore Dollar	4.6770-4.6880	2.1875-2.1885	United States	2.13½-2.14½
Sth. African Rand	1.80-1.81½	0.8435-0.8480	Yugoslavia	39½-42½

Rate given for Argentina is free rate.

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	Currency amounts against ECU June 21	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	39.4582	40.4380	+2.48	+1.81	±1.53
Danish Krone	7.08592	7.25901	+2.44	+1.80	±1.635
German D-Mark	2.51064	2.51823	+0.30	−0.54	±1.1325
French Franc	5.79831	5.85247	+0.93	+0.08	±1.35
Dutch Guilder	2.72077	2.76837	+1.75	+0.91	±1.5075
Irish Punt	0.662638	0.666200	+0.54	−0.31	±1.665
Italian Lira	1148.15	1136.55	−1.01	−1.01	±4.0725

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EXCHANGE CROSS RATES

June 21	Pound Sterling	U.S. Dollar	Deutschem'k	Japan'se Yen	French Franc	Swiss Franc	Dutch Guild'r	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	2.140	3.976	468.5	9.238	3.554	4.376	1796.	2.516	65.55
U.S. Dollar	0.467	1.	1.858	218.9	4.316	1.661	2.045	839.0	1.176	29.85
Deutschemark	0.251	0.538	1.	117.8	2.325	0.894	1.101	451.6	0.633	16.05
Japanese Yen 1,000	2.134	4.568	8.487	1000.	19.71	7.585	9.341	3832.	5.369	136.2
French Franc 10	1.083	2.317	4.305	507.2	10.	3.848	4.736	1944.	2.724	69.11
Swiss Franc	0.281	0.602	1.119	131.8	2.599	1.	1.231	505.3	0.708	17.96
Dutch Guilder	0.229	0.489	0.909	107.1	2.111	0.812	1.	410.5	0.575	14.59
Italian Lira 1,000	0.557	1.192	2.215	260.9	5.144	1.979	2.437	1000.	1.401	35.55
Canadian Dollar	0.398	0.851	1.581	186.2	3.672	1.413	1.740	713.8	1.	25.37
Belgian Franc 100	1.567	3.353	6.229	734.0	14.47	5.568	6.856	2813.	3.941	100.

EURO-CURRENCY INTEREST RATES

The following nominal rates were quoted for London dollar certificates of deposit: one month 10.40-10.50 per cent; three months 10.40-10.50 per cent; six months 10.40-10.50 per cent; one year 10.05-10.15 per cent.

June 21	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Asian $	Japanese Yen
†Short term	13¾-14¼	10¼-10½	9½-10½	6⅞-7⅛	⅝-⅞	5⅛-5⅞	8-8¼	16-17	—	⅝-⅝
7 days' notice	13¾-14¼	10⅜-10⅝	9½-10½	6⅞-7⅛	½-¾	5½-5⅝	8-8½	15-16	10⅛-10⅜	3½-4¼
Month	14½-14⅝	10½-10¾	10¾-11⅛	8⅛-8⅜	[illegible]	5⅛-5⅝	10⅛-10⅝	11¼-12¼	10⅛-10⅜	[illegible]
three months	13¾-14	10 [illegible]-10 [illegible]	10¾-11⅛	8⅛-8¾	[illegible]	[illegible]	10¼-10¾	11¾-12¾	10 [illegible]-10 [illegible]	[illegible]
six months	13¼-13½	10 [illegible]-10 [illegible]	10¾-11⅛	9⅛-9⅜	1 [illegible]-1 [illegible]	6⅛-6¼	10⅝-10⅞	12⅛-13⅛	10⅝-10¾	[illegible]
one year	13⅛-13⅜	10 [illegible]-10 [illegible]	10¼-10⅝	9⅛-9⅜	2⅛-2½	6 [illegible]-6 [illegible]	10¾-11	12¾-13¾	10¼-10⅝	6¼-6 [illegible]

Long-term Eurodollar: two years 9 [illegible]-10 [illegible] per cent; three years 9 [illegible]-9 [illegible] per cent; four years 9¾-9⅞ per cent; five years 9¾-9⅞ per cent nominal closing rates. Short-term rates are call for sterling, U.S. dollars and Canadian dollars; two-day call for guilders and Swiss francs. Asian rates are closing rates in Singapore.

INTERNATIONAL MONEY MARKET

Dutch call money rate cut

The official Dutch call money rate was cut yesterday to 7 per cent from 7½ per cent, reflecting an easing in money conditions due to Government disbursements. The rate was last changed in May from 6½ per cent to 7½ per cent. However, yesterday's increased liquidity is likely to be short-lived with tax and other payments due at the beginning of July.

In the interbank market, overnight money was sharply lower at 5-6 per cent compared with 7¼-7½ per cent with one-month money easier at 7¾-8¼ per cent from 8-8¼ per cent. The three-month rate fell to 8¼-8⅝ per cent *from 8½-8¾ per cent while 12-*month money eased to 9-9¼ per cent from 9¼-9½ per cent.

FRANKFURT — Call money was unchanged at 5.50-5.60 per cent and one-month money was quoted at 5.50-5.70 per cent against 5.40-5.60 per cent on Wednesday. The three-month rate rose to 6.20-6.40 per cent from 6.10-6.30 per cent with six-month money sharply higher at *6.80-7.00 per cent from 6.40-6.60* per cent. 12-month money was also firmer at 7.10-7.30 per cent against 7.00-7.20 per cent.

BRUSSELS—Deposit rates for the Belgian franc (commercial) showed little overall change. *One-month deposits were quoted* at 9¼-9½ per cent against 9¼-9½ per cent with three-, six- and 12-month deposits all at 9¼-9½ per cent compared with the previous common level of 9¼-9 11/16 per cent.

PARIS—Day-to-day money remained at 8 per cent yesterday with one- and three-month money also unchanged at 8¼-8½ per cent and 8¾-8⅝ per cent respectively. Longer periods were also static.

HONG KONG — Conditions were initially tight, but eased during the afternoon, with call money at 11½ per cent and overnight business dealt at 10½ per cent.

GOLD

Record close

Gold rose $¾ to a record closing level of $282-282¾, but trading was very dull, with no news to influence the market. It opened at $280½-281¼, and touched $282½-283¼, equal to the all time trading high at the beginning of last week. The krugerrand's premium over its gold content narrowed to 3.1 per cent from 3.43 per cent.

	June 21	June 20
Gold Bullion (fine ounce)		
Close	$282-282¾ (£131.60-132)	$281¼-282 (£131.3-132.2)
Opening	$280½-281¼ (£131.50-132)	$280¼-281 (£132.5-133.0)
Morning fixing	$280.50 (£131.152)	$280.70 (£131.939)
Afternoon fixing	$28.230 (£131.606)	$281.35 (£132.089)
Gold Coins, domestically		
Krugerrand	$290¼-292¼ (£135¾-136¾)	$289¼-291 (£135¾-136¾)
New Sovereigns	$72¼-74¼ (£33¾-34¾)	$72¼-74¼ (£34-35)
Old Sovereigns	$92-94 (£43-44)	$91¼-93¼ (£43-44)
Gold Coins, internationally		
Krugerrand	$290¼-292¼ (£135¾-136¾)	$289½-291¼ (£135¾-136¾)
New Sovereigns	$72¼-74¼ (£33¾-34¾)	$72½-74½ (£34-35)
Old Sovereigns	$92-94 (£43-44)	$91¼-93¼ (£43-44)
$20 Eagles	$401-405	$403-407
$10 Eagles	$225-230	$225½-230½
$5 Eagles	$155-165	$158-162

In Paris the 12½ kilo gold bar was fixed at FFr 41,000 per kilo ($295.15 per ounce) in the afternoon, compared with FFr 41,100 ($295.57) in the morning, and FFr 40,950 ($295.31) Wednesday afternoon.

UK MONEY MARKET

Moderate assistance

Bank of England Minimum Lending Rate 14 per cent (since June 12, 1979)

Day-to-day credit was in short supply in the London money market yesterday, and the authorities *gave assistance by buying a small* amount of Treasury bills, all direct from the discount houses and by lending a small amount to one or two houses at MLR for repayment today. Total assistance was termed as moderate. Discount houses were paying 12¾-13½ per cent for secured call loans at the start with closing balances taken in the region of 13½ per cent.

The market was faced with a moderate excess of revenue transfers to the Exchequer over Government disbursements and payments in respect of the two new Government issues. On the other hand banks brought forward balances a small way above target and there was a small net amount of Treasury bills maturing outside official hands. There was also a small decrease in the note circulation.

In the interbank market overnight loans opened at 14½-15 per cent and eased to 13½-13¾ per cent before picking up to 13¾-14 per cent, where most of the morning's trading took place. During the afternoon rates firmed once more to 14½-15 per cent and fluctuated between 12 per cent and 15 per cent before closing balances were taken anywhere between 15 per cent and 20 per cent.

Rates in the table below are nominal in some cases.

LONDON MONEY RATES

June 21 1979	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount market deposit	Treasury Bills ♦	Eligible Bank Bills ♦	Fine Trade Bills ♦
Overnight	—	12-20	—	—	—	13-13¾	13-14	—	—	—
2 days notice	—	—	14-14¼	—	—	—	—	—	—	—
7 days or..	—	—	—	—	—	—	—	—	—	—
7 days notice	—	13½-14⅛	14-14⅛	—	14¼	14-14¼	13¾-13⅞	—	—	—
One month	14-13¾	13⅞-14	13⅞-14⅛	14⅛-14⅜	14¼	14⅛	13⅝-13¾	13¼-13 [illegible]	13⅞-13 [illegible]	14⅛
Two months	14⅛-13 [illegible]	13 [illegible]-13 [illegible]	—	14⅜	14⅛	14⅜	13⅝	13 [illegible]-13 [illegible]	13 [illegible]-13¾	14¼
Three months	14-13¾	13 [illegible]-13 [illegible]	13⅞-13 [illegible]	14	14⅛	—	13½	13¼	13 [illegible]-13⅝	14
Six months	13¼-13	13¼-13⅝	13⅛-13⅜	13-12¾	13⅜	—	—	—	12⅝-12 [illegible]	13¾
Nine months	13⅛-12 [illegible]	12⅞-13	—	13-12⅝	13⅜	—	—	—	—	—
One year	12¾-12⅝	12⅝-12¾	12⅛-12¾	12⅞-12⅛	12⅞	—	—	—	—	—
Two years	—	—	12⅞-13	—	—	—	—	—	—	—

Local authority and finance houses seven days' notice, others seven days' fixed. * Long-term local authority mortgage rates nominally three years 12⅞-13 per cent; four years 12½-13½ per cent, five years 12¾-13¾ per cent. ♦ Bank bill rates in table are buying rates for prime paper. Buying rate for four-months bank bills 13 [illegible] per cent; four-months trade bills 13¾ per cent.

Approximate selling rate for one-month Treasury bills 13¾-13 [illegible] per cent; two-months 13 [illegible]-13 [illegible] per cent; three months 13 [illegible] per cent. Approximate selling rate for one-month bank bills 13 [illegible]-13 [illegible] per cent; two-month 13 [illegible]-13¾ per cent; and three-month 13¾ per cent; one-month trade bills 14¼ per cent; two-month 14 per cent; and three-month 13½ per cent.

Finance Houses Base Rates (published by the Finance Houses Association) 12 per cent from June 1, 1979. Clearing Bank Deposit Rates for small sums at seven days' notice 11½-12 per cent. *Clearing Bank Rates for lending* 14 per cent. Treasury Bills: Average tender rates of discount 13.[illegible] per cent.

MONEY RATES

NEW YORK

Prime Rate	11.5-11.75
Fed Funds	10.25
Treasury Bills (13-week)	8.92
Treasury Bills (26-week)	8.83

GERMANY

Discount Rate	4
Overnight Rate	5.55
One month	5.60
Three months	6.30
Six months	6.90

FRANCE

Discount Rate	9.5
Overnight Rate	8
One month	8.1875
Three months	8.5625
Six months	9

JAPAN

Discount Rate	4.25
Call (Unconditional)	5.375
Bills Discount (three-mth.)	6

APPOINTMENTS

Interested in Selling Industrial Property? [illegible]

NOTICES

[illegible]

COMPANY NOTICES

CORRECTED NOTICE

Gabinete da Area de Sines

(An Agency of the Republic of Portugal)

U.S. $50,000,000

Guaranteed Floating Rate Serial Notes 1982

Unconditionally Guaranteed as to Payment of Principal and Interests by the

Republic of Portugal

In accordance with the provisions of the Notes and Agent Bank Agreement between Gabinete da Area de Sines, the Republic of Portugal and Citibank, N.A., dated May 31, 1977 notice is hereby given that the Rate of Interest has been fixed at 12½% p.a. and that the interest payable on the relevant Interest Payable Date, November 30, 1979, against Coupon No. 5 will be US$493.08 and has been computed on the actual number of days elapsed (183) divided by 360.

As a result of the principal repayment of $1,000 per Note due May 31, 1979 pursuant to Condition 7 (a) of the Notes, the value of each Note will accordingly be reduced to $8,000.

May 31, 1979

By: Citibank, N.A., London, Agent Bank.

MULTI-TRUST FUND S.A.

Société Anonyme
Siège Social: 37, rue Notre-Dame Luxembourg
R.C. Luxembourg B 8478

Notice of Meeting

Notice is hereby given that the Annual General Meeting of the Company will be held at the offices of the Kredietbank S.A. Luxembourgeoise, 43, Boulevard Royal, Luxembourg, on Tuesday 3rd July, 1979 at 3.00 p.m.

Agenda

1. Receipt of the reports of the Board of Directors and of the Statutory Auditors.
2. Approval of the Balance Sheet and Profit and Loss Statement as at March 31st, 1979.
3. Payment of a dividend.
4. To transfer to legal reserve the amount required by law.
5. Discharge of Directors and of the Statutory Auditors.
6. Receipt of and action on nomination for election of Directors and the Statutory Auditors.
7. To resolve that the Directors be authorised to issue shares not already subscribed for, for a further period of five years.
8. Any other business.

[illegible]

Multi-Trust Fund S.A.

DE BEERS CONSOLIDATED MINES LIMITED
(Incorporated in the Republic of South Africa)

NOTICE TO HOLDERS OF PREFERENCE SHARE WARRANTS TO BEARER: PAYMENT OF COUPON NO. 140

[illegible]

OMRON TATEISI ELECTRONICS CO.

[illegible]

JORDAN ELECTRICITY AUTHORITY

SOUTH JORDAN TRANSMISSION DEVELOPMENT—STAGE I
POWER LINE CARRIER TELECONTROL AND COMMUNICATIONS SYSTEM
EXTENSION CONTRACT 46/78 (4041/04)

NOTICE OF PREQUALIFICATION

[illegible]

ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED

[illegible]

COMPANY NOTICE

[illegible]

PUBLIC NOTICES

[illegible]

CLUBS

[illegible]

Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● ENERGY

Power plant to use heat from sea

FIRST electricity generating plant in the world using warm surface sea water as "fuel" to produce 50 kilowatts, will begin operating shortly off Hawaii.

Mini-OTEC (ocean thermal energy conversion) will use warm water and cold water drawn up from 2,000 feet below, first to vaporise ammonia to drive a turbine-generator and then to condense it again, in a continuous closed-system operation.

Aim is to demonstrate that usable amounts of power can be developed from the heat of the ocean, and to point the way to commercial use. A 200 megawatt plant of this type could provide power for a city of 200,000 people.

Mini-OTEC is funded by the State of Hawaii, Lockheed Missiles and Space Company and the Dillingham Corporation. Conceptual and system design was done by Lockheed, and Alfa Laval of Sweden made two titanium heat exchangers which are major components. The Hawaii Natural Energy Laboratory is responsible for the operation.

The plant is aboard a modified U.S. Navy barge anchored 1½ miles off Point Keahole, on Hawaii's west coast. A cold-water pipe 2,170 feet long is suspended from a nearby buoy to provide cold water essential for the power cycle.

Mini-OTEC is the culmination of five years' work begun when Lockheed won one of two parallel contracts from the U.S. National Science Foundation to study the engineering and economics of the concept.

Control of combustion

OXYGEN probe equipment first developed in Australia, and being manufactured under licence in England for distribution throughout Europe, offers energy savings to users of fuel-burning plant, including boilers, ceramic kilns, refinery and chemical process heaters, incinerators and roasters.

It can be used either as a portable instrument for periodic checking of combustion conditions and furnace atmosphere conditions in multi-furnace factories, or as a permanent installation for continuous atmospheric monitoring and control. Measuring the oxygen content "in situ," it eliminates the need for sampling lines, pumps and filters.

Measurement of the oxygen content of furnaces is possible from 100 per cent O_2 to less than 0.001 parts per million. It extends into reducing gas mixtures, and offers significant advantages over other methods of atmospheric control in heat-treatment plant, including vacuum furnaces, gas generators and sealed quench carburising furnaces.

Response time of less than one second offers almost instantaneous read-out of atmosphere changes and corrective action, contributing greatly to the accuracy of control systems.

Service life is not significantly affected by gaseous ammonia in the furnace atmosphere. Since ammonia has only a negligible effect on the atmosphere oxygen potential/carbon potential relationship, the probe can be used to control carbonitriding processes.

Drayton Kiln Company, Trentham, Stoke-on-Trent ST4 8HX. Telephone (0782) 857381.

● RETAILING

Making the best of the shelf space

HOPE, acronym for "Higher Operating Profits through Efficiency," describes a computerised shelf space management and retail merchandising method.

Developed by Wetterau Inc. of St. Louis, it is being used in U.S., Canada and several European countries, including Sweden. Datema AB has the exclusive marketing rights in Scandinavia, UK and other EEC countries. Datema expects to offer it in the UK in the near future.

The concept is different from that which retailers have been accustomed to. Retailers generally believe that profits are derived from those products with the highest profit margin. With HOPE, profit per unit multiplied by velocity (speed of units sold) is the criterion to judge profitability.

Claimed benefits are the release of about 15 per cent of shelf-space to more profitable use, a substantial reduction in back room and excess shelf stock inventory, with corresponding increases in cash flow and labour reduction; in some outlets manual intervention has been as much as 2,000 hours per annum.

Cumulative effect of all those benefits, Datema says, is a substantial increase in gross profit income.

Customer reaction is favourable in that the customer believes that there is a *better* selection than before. In fact there are *fewer* items, but with a more efficient presentation, and such customer reaction "must be because it becomes easier to locate merchandise," according to the developers.

The system collects warehouse shipment information and/or point-of-sale movement information for each item in the store for a minimum of 17 weeks. After this period, an average weekly movement value for each item can be calculated. This particular average is calculated by a proprietary method which took several years to develop and prove under practical conditions.

This average figure is used to determine the re-order point and minimum shelf allocation. It is also used for retail merchandising management, enabling the retailer to make informed decisions about the desirability of a product and its shelf location.

Meaningful information for management can be derived, without the necessity of point-of-sale (POS) equipment. In addition, it can provide a readily available system to digest information for those who elect to implement POS.

Datema (UK), Colston Centre, Colston Avenue, Bristol BS1 4UH. 0272 291 571.

● DATA PROCESSING

Expands the memory

ACCORDING to Intel, many general purpose memory systems have lacked sufficient capability to protect OEM users against obsolescence as memory needs grow or as new technologies emerge.

The company's latest product, Series 90, is described as "eliminating the need for substantial redesign, not only permitting the user to expand an existing system as storage requirements increase, but also allowing him to combine static and dynamic RAM technology, as well as emerging technologies, in a single system."

Key to the design is a bus structure which Intel says is the first to be developed entirely for memory systems. Called BXP, the bus has wiring, signal level and timing specifications which allow the interconnection of different memory types and which share a common connection with user's equipment.

Designed for substantial expansion, the BXP bus contains 24 address lines, four module address lines and a bus select function. The address lines provide addressing ability of up to 16 megawords for each memory module, of which there are 16.

Memory products available with the Series 90 include a series of static memory modules with cycle times as fast as 100 nanoseconds and dynamic types with cycle times to 350 ns.

Maximum word transfer rate of the system is 10 MHz, providing a maximum transfer rate of 80 megabytes per second with byte addressing and error correction code, or 110 MB/sec without ECC and byte addressing.

Intel is at 4, Between Towns Road, Cowley, Oxford OX4 3NB (0865 771431).

Watch over the contents

TO ENABLE Smith and Nephew Cosmetics to meet the requirements of the average weight legislation contained in the Weights and Measures Act of 1979, Kins Applied Technology (a W. S. Atkins company) is to instal a new system called K2000 for commissioning towards the end of the year.

A central computer with disc storage and line printer located in the quality control laboratory is connected to four weighing stations on the packing lines.

Samples are taken at predetermined intervals, and if necessary to meet the required limits, the operator is instructed by a display to adjust the filling machines — but so as to produce the minimum of overfill.

Data on some 450 products can be held on the disc store and programs allow collated data to be produced for both management and trading standards officers, including statistical analyses.

If the central processor should be out of action, there is enough intelligence in the four stations for the data to continue to be produced. More from 141 Garth Road, Morden, Surrey (01-330 6111).

● SECURITY

Individual safes for hotel rooms

IT SEEMS that the only certain thing about theft from hotel rooms is that with the passage of time it will get worse rather than better.

The first line of defence has to be the prevention of unauthorised access to the room itself, although there is always a possible problem with regard to staff.

The second is to lock valuables away in a safe place, which usually means the hotel safe in the manager's office. Unfortunately for the management and guest alike, this can mean a good deal of time wasted with procedures, often to lock up items of relatively low value.

A solution offered by T. Beattie Edwards and Co., 3 Barwell Trading Estate, Leatherhead Road, Chessington, Surrey (01-397 9444) is a small hotel safe called Safekeeper, one of which can be put in each room. The safe, with internal dimensions of 11 x 10½ x 12 inches, can be coin or equivalent-token operated, tokens being provided either free or at locally determined charge.

With the valuables placed inside a token is inserted, the door closed and the key removed: it cannot be taken out of the lock unless a token has been put in.

The guest then has the only key which will open the safe and the 14-tumbler lock prevents unauthorised entry through key duplication. If the key is lost, the management can replace the whole lock unit without unlocking the Safekeeper and provide the guest with a new key. None of the keys has any number on it so that if one is found it would not be possible to identify the corresponding safe.

To deter the casual thief is the main object of the safe, and the company emphasises that really high value items should always be locked up in the hotel safe.

Each safe would normally be securely bolted to a wall; if any attempt is made to break into it or dislodge it, a gravity type detector switch operates to sound a built-in alarm.

Installation takes no more than ten minutes, and the leasing cost is £6.50 per month per safe.

Effects on the hotel's insurance premiums, or on its liabilities to customers are under investigation by the company.

● TEXTILES

Better method of packing

ONE OF the post-war textile processes has been the production of yarns from continuous tows of man-made fibres. These are "converted" either on special cutting machines or on stretch-break machines which take the giant bundle of filaments and convert it into a tow of staple fibres.

The process has been largely confined to the acrylic fibres, although other synthetics are gradually coming to be processed in this way, which is an economical and highly productive route from filament tow to spun yarn.

Major problem of the process is that the tow must be absolutely twistless and this has resulted in complex and relatively expensive forms of packing a tow, as extruded, into relatively lightweight cartons from which they are removed and fed into the converters.

New packing of twistless tow has been developed in West Germany by Fleissner G.m.b.H. and Co. (British agent: W. T. Textiles, 38 Canal Road, Bradford BD1 4HB Tel. 0274 32698). The company has developed a baling press and feed system which is able to take the tow and feed it directly into what is effectively a classical textile baling press lined with a wrapper of, say, woven polypropylene tape.

The tow is fed into the container without twist and when full the pack is compressed and held in this state by high tensile strapping. The interesting feature of the concept is that now it is possible to produce bales of twistless tow which are some 600 kg per cubic metre capacity, a major increase on the lightweight cardboard cartons previously used.

Tow can be extracted from these bales without any twist, but that by packaging in this way major savings can be made in waste and in the frequency of replacing the supply to the converters.

● HYGIENE

Keeping airducts clean

DUCTING OVER a year old used for air-conditioning can be a health hazard according to Winton International Laboratories. This could be the case whether a filter is fitted or not and inspection would reveal dust, debris, bacterial cells and fungal spores, the company adds.

Winton is offering a maintenance programme based on the premise that air-conditioning ducting must be cleaned thoroughly once a year and then sprayed regularly with a germicide.

In the programme provision is made for training of staff in application of germicides, monitoring every two months of germ counts plus checks on the efficiency of the whole air conditioning system. Regular delivery of germicidal materials and sprays is also organised.

Winton's headquarters are at McMillan House, Cheam Common Road, Worcester Park, Surrey. (01-337 0731.)

● SAFETY

Preparing for the flood

RISK OF widespread flooding in central London is quite high, at least until the Thames Barrier becomes operational in 1982. One of the chief dangers would be water in Underground stations and all mains power would have to be cut off until it could be pumped away.

Lewis Electric Group of Maidenhead, Berkshire, is helping to solve some of these problems for London Transport, with specially-designed emergency generators supplied to cope with flood conditions.

Lewis has just met a London Transport order for ten LP 40 diesel generators, with Perkins 4236 engines and ECC BRF 225 alternators. Each is fitted with a weatherproof canopy and mounted on a 4-wheeled road trailer, complying with Department of the Environment specification. Other features of the sets include long-life nickel cadmium batteries and the ability to jack each unit well clear of the ground, about a foot above the tops of the tyres.

In the event of flooding and the loss of mains power the sets would be transported to affected Underground stations and parked at the entrances. Cables would be run from the generators to provide power for floodlighting and pumps, so that repair and other work could be quickly carried out for a return to normal.

Lewis Electric, Bell Works, Maidenhead, Berks SL6 1BR. 0628 23499.

● METALWORKING

Fast Italian presses

SEVERAL BIG high speed presses made by the Italian machine tool company Benelli Meccanica can now be obtained in the UK through TI Bennett Machines of Redditch.

The British company manufactures its own range of high speed presses up to 100 tonnes but the larger Italian units do not compete with these and will enable the UK company to obtain wider market penetration.

Transfer presses offered range from 25 to 3,500 tonnes and they have an auxiliary shaft which makes it possible to carry out secondary operations without complicated and expensive extras. High production rates and quality standards are claimed.

Also available from the Italian company are straight sided presses with capacities from 100 to 2000 tonnes, with beds up to four metres in length, and gap-frame units in sizes up to 315 tonnes. TI Bennett claims that these Italian machines are up to 20 per cent cheaper than any competitive units on the market.

More from the TI Machine Division, P.O. Box 39, Coventry CV4 9DA (0203 75521).

Automatic tool changer

DESIGNED FOR its Vertex 200 vertical machining centre is a completely automatic tool changer from Newall Engineering, Oundle Road, Peterborough.

Magazines are totally enclosed to comply with current standards established by the Health and Safety at Work Act, and tools are accessed via a sequentially controlled door mechanism.

All sizes of magazines can accept a full load of tools up to 160 mm diameter; if adjacent pockets are empty, this figure can be increased to 210 mm diameter. Maximum tool length is 300 mm and the individual weight limit 15 kg.

Dow up 3.8 in heavy dealings on trade surplus

INVESTMENT DOLLAR PREMIUM
$2.60 to £1—39¾% (41¼%)
Effective $2.1400 14¾% (15¾%)

PLEASANTLY SURPRISED by news that the U.S. current account was in surplus in the first quarter, Wall Street improved in heavy trading yesterday, but failed to close at the day's best level.

The Dow Jones Industrial Average, after gaining almost six points, finished a net 3.81 up at 843.64. The NYSE All Common Index ended 26 cents higher at $57.91, while rises exceeded declines by 873 to 567. Trading volume further expanded to 37.21m shares from the previous day's 33.81m.

The $157m surplus was the first since a $324m surplus in the fourth quarter of 1976 and compares with a revised deficit of $313m in the 1978 fourth quarter.

Analysts said the current account surplus eased some fears about the health of the dollar.

Late in the session, the Commerce Department said U.S. durable goods orders rose 2.3 per cent in May after a revised 8.2 per cent fall in April. However, orders for non-defence capital goods were up just 0.7 per cent, which analysts said did not upset the view that the economy may be slowing. Investors hope a slower pace of economic activity will ease upward pressure on interest rates.

Oil prices continued to be a worry, however, analysts said. Saudi Prince Fahd said in a published interview that his country has made no decision to boost oil output, but later, Oil Minister Yamani said such a move was being considered.

After close, the Federal Reserve said the basic money supply fell $2.6bn in the latest reporting week. The slide partially offset the sharp rise a week ago.

IBM gained ⅞ to $73½, its best performance in several days and attracted buyers to other large-capitalisation stocks.

American Telephone put on ¼ to $58, General Motors ⅞ to $60½, Du Pont 1¼ to $130½ and Exxon ⅞ to $51½.

Exxon began its bid for the shares of Reliance Electric at $72 each, lifting reliance 2¼ to $62⅞. Active Eltra, which surged more than ten points on Wednesday on news that it has had received take-over inquiries, added 2¼ at $43¼.

F. W. Woolworth gained ⅜ to $27½. It sees some softness in its sales outlook and declined to offer an opinion on the possibility of a take-over by Loews.

Gaming shares came under pressure. Volume leader Caesars World retreated 2¼ to $32 on volume of nearly 1m shares. Heavily-traded Bally Manufacturing, a major manufacturer of slot machines, lost 3¼ to $43⅞. The Casino Control Commission has ruled that casinos may not buy more than 50 per cent of their slot machines from one maker.

Monsanto fell 3¼ to $50 after a more than four-point rise on Wednesday.

THE AMERICAN SE Market Value Index further advanced by 2.26 to 199.83 on a very large turnover of 6.27m shares (4.51m).

Canada

Another buoyant performance took place on Canadian markets in extremely active trading, with volume reaching 6.78m shares in Toronto, against Wednesday's 5.36m.

The Toronto Composite Index moved ahead 12.7 to a new record high of 1,594.9. Oils and Gas climbed 36.5 to 2,825.0, Golds 33.2 to 1,873.1 and Metals and Minerals 17.0 to 1,360.8.

In Montreal, Banks rose 2.06 to 301.47 and Papers 3.09 to 169.09.

Tokyo

Movements were mixed overall, but major indices showed good gains, boosted by strong Oil and Mineral Resources stocks.

The Nikkei-Dow Jones Average rose 47.72 to 6,248.47 and the Tokyo Stock Exchange Index closed at 446.76, up 1.25. Trading was active, with volume amounting to 400m shares.

C. Itoh rose Y48 to Y393 on reports that Japan Low Sulphur Oil, in which C. Itoh participated has started oil production in fields off South East Sumatra. Arabian Oil rose Y250 to Y5,080.

Coals were also up sharply on an anticipated rise in crude oil prices. Mitsui Mining advanced Y14 to Y666 and Matsushima Coal Y13 to Y239.

Machineries closed higher on increased demand for machine tools, while Foods, Pharmaceuticals, Chemicals and Textiles also gained ground.

Export-orientated Electricals and Vehicles, however, closed lower. Pioneer Electronic declined Y40 to Y1,980. Sony Y20 to Y2,090 and Toyota Motor Y4 to Y926.

Paris

After being narrowly mixed in early transactions, share prices were inclined to improve in fairly quiet trading.

The Bourse Industrials Index gained 0.7 to close at a fresh 1979 high of 85.0.

The disappointing May trade figures announced on Wednesday, depressed the market initially, but Oils gradually pulled the rest of the market up.

Oils were led higher by Sogerap, which put on 8 per cent and also Francaise de Raffinage. Elf Aquitaine rose FFr 42 to FFr 819 on forecasting higher 1979 group profits. Esso gained FFr 4 to FFr 177.

Banks and Metals were also favoured. Among the stronger movers of the session were Cetelem, which gained 8 per cent, Sade, Moet-Hennessy, Sagem, SAT and Merieux.

Portfolios, Rubbers, Stores and Transportation issues were generally easier.

Noticeably lower at the closing bell were CJC, Rue Imperiale, Docks de France, Michelin, Facom, Moulinex, Labo, Bellon, UTA, Elf-Gabon and Imetal.

Germany

Prices mostly closed firmer, although in Motors, Daimler shed DM 5.50 and BMW DM 3.40.

In lively trading, Banks were led DM 2.50 higher by Deutsche. Chemicals gained up to DM 1.50 led by Bayer, while in Stores, Karstadt added DM 2.50.

AEG-Telefunken gained DM 2.20, while elsewhere in Electricals, Siemens rose DM 3. Linde moved ahead DM 5.50 in Engineering.

In the Domestic Bond sector, Public Authority issues showed gains of up to 10 pfennigs and losses extending to 35 pfennigs. The regulating Authorities sold a nominal DM 12m of paper, compared with purchases of DM 20.8m the day before. Mark foreign loans were well maintained.

Australia

Nationwide strikes yesterday and no sign of an early end to the New South Wales petrol strike were factors depressing the Industrials sector, which closed with an easier tendency. However, there was some selective demand for Minings, which displayed a firmer bias.

BHP rose 14 cents in early trading to A$8.78, but later retreated to A$8.54 for a fall of 10 cents on the day.

CSR, also firm initially reacted to close a net 5 cents down at A$3.10.

Banks held up better than the Industrials, BNS Wales gaining 4 cents to A$3.40 and ANZ a cent to A$4.30

In the Mining sector, Bougainville Copper put on 4 cents to A$1.88 and Metals Exploration hardened 3 cents to 83 cents.

Hong Kong

Shares lost further ground in thin trading, with Properties meeting fresh selling.

The Hang Seng index shed 4.35 more to 534.89, with market uncertainty over the future trends of interest rates and oil prices contributing to the market's easier tone.

Among the leaders, Hong Kong Wharf fell 50 cents to HK$33.00, Jardine Matheson 10 cents to HK$11.10, and Hong Kong Electric and Swire Pacific 5 cents each to HK$4.40 and HK$7.75 respectively.

Johannesburg

Golds closed mixed on a small turnover after selected issues reversed an easier opening trend. Randfontein shed 75 cents to R54.75, but West Drie gained a similar amount to R55.00 on some overseas demand.

Mining Financials were also irregular. Copper share Messina was 3 cents off at R1.77. Platinums had Rusplat 3 cents lower at R2.90 and Implats 2 cents off at R4.03.

Milan

Stocks closed firmer in moderate trading.

Most Industrial and Financial leaders gained, with Pirelli Spa firming L7 to L766 after recent losses. Mediobanca were slightly lower, however and Snia Viscosa declined L17.5 to L818.5 after news that the company has difficulty in supplying some synthetic fibre plants with raw materials because of financial problems.

Switzerland

Prices closed narrowly mixed with interest inhibited by next week's OPEC conference.

The Bond market, however, was firm, with a weaker money market and dollar rates tending to make Swiss franc investments more attractive.

Amsterdam

Share prices closed mixed to firmer, while trading remained quiet.

NOTES: Overseas prices shown below exclude $ premium. Belgian dividends are after withholding tax.
♦ DM 50 denom. unless otherwise stated, yields based on net dividends plus tax
♥ Pta 500 denom. unless otherwise stated.
♣ DKr 100 denom. unless otherwise stated.
Φ SwFr 500 denom. and Bearer shares unless otherwise stated. ¶ Y50 denom. unless otherwise stated. $ Price at time of suspension. a Florins. b Schillings. c Cents. d Dividend after pending rights and/or scrip issue. e Per share. f Francs. g Gross div. %. h Assumed dividend after scrip and/or rights issue. k After local taxes. m % tax free. n Francs including Unilac div. p Nom. q Share split. s Div. and yield exclude special payment. t Indicated div. u Unofficial trading. v Minority holders only. y Merger pending. * Asked. † Bid. § Traded. ‡ Seller. z Assumed. xr Ex rights. xd Ex dividend. xc Ex scrip issue. xa Ex all. Δ Interim since increased.

NEW YORK

CANADA

GERMANY ♦

TOKYO ¶

AUSTRALIA

STOCKHOLM

OSLO

JOHANNESBURG

AMSTERDAM

BRUSSELS/LUXEMBOURG

SWITZERLAND Φ

PARIS

COPENHAGEN ♣

MILAN

VIENNA

BRAZIL

SPAIN ♥

Financial Rand U.S.$0.89½
(Discount of 24½%)

Indices

NEW YORK —DOW JONES

	June 21	June 20	June 19	June 18	June 15	June 14	1979 High	1979 Low	Since Compilt'n High	Since Compilt'n Low
♦ Industr'ls	843.64	839.83	839.40	839.40	843.60	842.34	878.72 (10/4)	807.00 (27/2)	1051.70 (11/1/73)	41.22 (2/7/32)
H'me B'nds	85.49	85.47	85.25	85.35	85.51	85.26	85.90 (2/2)	82.32 (8/5)	—	—
Transport.	240.02	239.48	240.11	239.75	240.80	241.09	241.87 (12/6)	205.78 (27/2)	279.88 (7/2/69)	12.25 (8/7/32)
Utilities	105.61	105.38	105.58	105.35	105.28	105.07	105.76 (13/6)	98.51 (15/5)	163.32 (20/4/69)	10.58 (28/4/42)
Trading vol 000's	37,210	33,810	30,990	31,180	35,010	37,970	—	—	—	—

♦ Day's high 847.80 low 837.40

	June 15	June 8	June 1	Year ago (approx)
Ind. div. yield %	6.01	6.07	6.16	5.58

STANDARD AND POORS

	June 21	June 20	June 19	June 18	June 15	June 14	1979 High	1979 Low	Since C'mpil't'n High	Since C'mpil't'n Low
‡Indust'ls	115.59	112.75	112.70	112.88	113.34	113.51	116.69 (9/1)	107.08 (27/2)	134.64 (11/1/73)	3.55 (30/6/32)
†Composite	102.88	101.96	101.88	101.68	102.09	102.25	105.54 (10/4)	96.15 (27/2)	125.85 (11/1/6)	4.40 (1/6/32)

	June 20	June 13	June 6	Year ago (approx)
Ind. div. yield %	5.30	5.24	5.28	5.07
Ind. P/E Ratio	7.91	7.98	7.92	9.11
Lon Gov. Bond Yield	8.87	8.81	8.85	8.52

N.Y.S.E. ALL COMMON

June 21	June 20	June 19	June 18	1979 High	1979 Low
57.91	57.65	57.58	57.56	58.18 (10/4)	53.88 (27/2)

Rises and Falls

	June 21	June 20	June 19
Issues Traded	1,893	1,914	1,896
Rises	873	777	741
Falls	567	633	704
Unchanged	453	504	451
New Highs	62	49	43
New Lows	12	13	16

MONTREAL

	June 21	June 20	June 19	June 18	1979 High	1979 Low
Industrial	272.60	268.79	267.70	268.31	272.90 (21/6)	219.19 (2/1)
Combined	268.84	266.87	265.34	266.35	269.04 (21/6)	225.90 (2/1)
TORONTO Composite	1594.9	1582.2	1573.2	1577.2	1594.9 (21/6)	1516.8 (2/1)
JOHANNESBURG Gold	286.1	286.1	285.5	287.6	288.1 (21/6)	228.4 (17/4)
Industrial	[illegible]	295.4	296.00	298.3	550.0 (25/6)	278.5 (2/1)

	June 21	Previous	1979 High	1979 Low
Australia (¶)	564.49	564.09	597.66 (1/3)	546.72 (2/1)
Belgium (‖)	105.12	105.04	108.09 (3/5)	98.80 (3/1)
Denmark (**)	95.84	95.52	97.32 (10/6)	89.32 (8/1)
France (††)	85.0	84.5	85.6 (31/5)	71.5 (15/2)
Germany (‡‡)	728.8	726.0	830.6 (16/1)	719.4 (7/6)
Holland (§§)	71.9	72.1	80.9 (24/1)	71.3 (7/6)
Hong Kong (¶¶)	534.89	539.24	568.30 (6/3)	483.55 (2/1)
Italy (‖‖)	79.19	78.51	80.01 (4/6)	66.38 (2/1)
Japan (a)	446.76	445.51	462.97 (31/1)	436.22 (10/4)
Singapore (b)	392.70	386.19	404.13 (28/5)	346.34 (23/2)

	June 21	Previous	1979 High	1979 Low
Spain (d)	98.88	98.67	111.96 (8/3)	93.05 (12/1)
Sweden (e)	358.49	343.54	401.34 (6/2)	345.54 (30/5)
Switzerld (f)	306.6	305.5	329.1 (2/5)	294.3 (2/1)

Indices and base dates (all base values 100 except NYSE All Common—50; Standards and Poors—10; and Toronto 300—1,000; the last named based on 1975). † Excluding bonds. ‡ 400 Industrials. § 400 Industrials; 40 Utilities, 40 Finance and 20 Transport. ¶ Sydney All Ordinary. ‖ Belgian SE 31/12/63. ** Copenhagen SE 1/1/73. †† Paris Bourse 1961. ‡‡ Commerzbank Dec. 1953. §§ Amsterdam Industrial 1970. ¶¶ Hang Seng Bank 31/7. ‖‖ Banca Commerciale Italiana 1972. a Tokyo New SE 4/1/68. b Straits Times 1966. c Closed. d Madrid SE 29/12/78. e Stockholm Industrial 1/1/58. f Swiss Bank Corporation. u Unavailable.

THURSDAY'S ACTIVE STOCKS

	Stocks traded	Closing price	Change on day
Caesars World	958,400	32	−2¼
IBM	449,200	73½	+ ⅞
Bally Mfg.	436,300	43⅞	−2¼
W. E. Heller	371,800	27	− ⅛
NLT	364,500	35	−1¼
Tandycrafts	353,000	6⅞	+ ¾
Cap. Hldg.	343,500	23¼	—
Goodyear Tire	318,200	16⅞	− ⅛
Howard Jhnsn.	317,600	14⅞	+ ⅛
Monsanto	316,800	50	−3¼

BASE LENDING RATES

A.B.N. Bank	14 %
Allied Irish Banks Ltd.	14 %
Amro Bank	14 %
American Express Bk.	14 %
A P Bank Ltd.	14 %
Henry Ansbacher	14 %
Associates Cap. Corp.	14 %
Banco de Bilbao	14 %
Bank of Credit & Cmce.	14 %
Bank of Cyprus	14 %
Bank of N.S.W.	14 %
Banque Belge Ltd.	14 %
Banque du Rhone et de la Tamise S.A.	14½ %
Barclays Bank	14 %
Bremar Holdings Ltd.	15 %
Brit. Bank of Mid. East	14 %
■ Brown Shipley	14 %
Canada Perm't Trust	14 %
Cayzer Ltd.	14 %
Cedar Holdings	14 %
■ Charterhouse Japhet	14 %
Choulartons	14 %
C. E. Coates	14 %
Consolidated Credits	14 %
Co-operative Bank	*14 %
Corinthian Secs.	14 %
Credit Lyonnais	14 %
The Cyprus Popular Bk.	14 %
Duncan Lawrie	14 %
Eagil Trust	14 %
English Transcont.	14 %
First Nat. Fin. Corp.	14 %
First Nat. Secs. Ltd.	14 %
■ Antony Gibbs	14 %
Greyhound Guaranty	14 %
Grindlays Bank	‡14 %
■ Guinness Mahon	14 %
■ Hambros Bank	14 %
■ Hill Samuel	§14 %
C. Hoare & Co.	†14 %
Julian S. Hodge	15 %
Hongkong & Shanghai	14 %
Industrial Bk. of Scot.	12 %
Keyser Ullmann	14 %
Knowsley & Co. Ltd.	15½ %
Lloyds Bank	14 %
London Mercantile	14 %
Edward Manson & Co.	15 %
Midland Bank	14 %
■ Samuel Montagu	14 %
■ Morgan Grenfell	14 %
National Westminster	14 %
Norwich General Trust	14 %
P. S. Refson & Co.	14 %
Rossminster	14 %
Ryl. Bk. Canada (Ldn.)	14 %
Schlesinger Limited	14 %
E. S. Schwab	13 %
Security Trust Co. Ltd.	15 %
Shenley Trust	16 %
Standard Chartered	14 %
Trade Dev. Bank	14 %
Trustee Savings Bank	14 %
Twentieth Century Bk.	15 %
United Bank of Kuwait	14 %
Whiteaway Laidlaw	14½ %
Williams & Glyn's	14 %
Yorkshire Bank	14 %

■ Members of the Accepting Houses Committee.
* 7-day deposits 11½%. 1-month deposits 11¾%.
† 7-day deposits on sums of £10,000 and under 11½%, up to £25,000 12%, and over £25,000 12¼%.
‡ Call deposits over £1,000 11½%.
§ Demand deposits 11½%.

EUROPEAN OPTIONS EXCHANGE

TOTAL VOLUME IN CONTRACTS
C=Call P=Put

هكذا من الأصل

FINANCIAL TIMES SURVEY
Friday June 22 1979

Energy for Industry

If the demand by oil-consuming nations remains at present levels, with panic purchases on the spot markets, then the upward spiral in oil and other fuel prices will ultimately push the world economy into recession. To divert this threat, Western nations are under increasing pressure to reduce energy-usage and improve efficiency and conservation methods.

ıngers : the ›rld ›nomy

By Kevin Done
Energy Correspondent

.MEDIATE impact of the hortfall in crude oil on industry, commerce er fuel users has been rated since the begin- the year, both in rapidly ices and in the increased g of oil products.

.ıe greater threat posed present imbalance of l supply and demand is world economy will be back into recession by s scrambling to buy r supplies are available, ith scant regard to the

ters from the leading . countries have issued a c warning that failure to ective action to restore ınce in oil demand and could set off a recession ed by rising inflation could be as critical as . 1974-75.

rganisation for Economic ation and Development, ıping of the 24 leading industrialised countries, has accepted that there is now a real danger that, without responsible policies by both oil consumers and producers, the energy shortage will seriously damage the world economy.

The present imbalance in supply and demand is not all that great. The shortfall is running at perhaps 1.5m-2m barrels a day, equal to some 4 per cent of expected consumption. But it is enough to have brought an average increase in crude oil prices of about 30 per cent in less than 6-months and have pushed up the price for marginal supplies on the world's spot markets by more than 125 per cent since the beginning of the year.

The consequences are clear. The uncertainty of energy supplies, coupled with renewed inflation have become major obstacles to achieving sustained economic growth and the creation of more jobs. The OECD warned earlier this month that there can be no escape from a reduction of real income caused by the higher prices for imported oil. Claims for compensatory increases in wages and salaries would only aggravate inflation and increase unemployment.

According to Mr. Michael Blumenthal, the U.S. Treasury Secretary: "The choice is not between growth and inflation. It is between growth with conservation or low growth with high inflation."

The impact of sharply rising oil prices is being seen in rising costs for other fuels as well, and users of coal, gas or electricity will not be shielded from a general increase in energy prices.

In the UK, the new Conservative Government is adamant that rising prices will play a vital role in encouraging the more efficient use of all fuels to help it to reach its target of a reduction in demand for oil of at least 5 per cent of expected consumption this year.

Measures anounced in the Budget by Sir Geoffrey Howe, the Chancellor of the Exchequer, underline the Government's policy of allowing energy prices to rise to the point where they actively dissuade consumption, particularly of oil products.

With the increases already implemented in value added tax and duty, the price of petrol has risen by more than 40 per cent since the beginning of the year. Prices of all other oil products have also risen sharply with increases already this year of 20-25 per cent for products such as gas oil and fuel oil.

Increases

As with crude oil, the price of oil products bought on the spot market, which accounts for a very small percentage of total world oil trade, have risen far more dramatically and in most cases have more than doubled.

Measures announced in the Budget to place stricter cash limits on the nationalised energy industries will also force another increase in the price of natural gas to non-domestic consumers later this year. At the beginning of September, tariffs for industrial gas sales will rise by about 20 per cent on top of the increase already implemented at the end of April of 11 per cent.

At the beginning of July, the price of coal to power stations, the steel industry and domestic consumers will also rise by between £2 and £3 a ton, the second increase in four months. The increase in power station coal prices will average 12.5 per cent and will mean a resulting increase of about 4 per cent in electricity prices.

The price of coal sold to the power stations has increased by 35 per cent over the last 18 months and the Central Electricity Generating Board is now seeking cheaper sources of fuel, such as imported coal. The CEGB already takes more than 1m tons a year from Australia and Poland, but it is now looking at the possibility of importing up to 5m tons a year.

As part of the Government's strategy for cutting oil consumption, the CEGB is intending to burn an extra 5m tons of coal in the power stations in the six months to the end of September. This suggests that its total coal-burn will increase to 80m tons this year, a level which the UK coal industry could be hard-pressed to satisfy alone.

With steadily growing domestic crude oil production from the North Sea, the UK is approaching the point when it should soon be net self-sufficient in oil, coal and natural gas supplies.

North Sea crude oil output has failed, however, to insulate Britain from the effects of a shortfall in crude oil supplies to the world market. UK North Sea production, which is now running at 1.4-1.5m barrels a day, is sufficient in gross terms to meet three-quarters of domestic demand. But, in practice, as much as 45 per cent of North Sea output is being exported in exchange for imports of heavier crudes.

The UK will always have to import some foreign crudes in order to make the full range of products needed by oil users. North Sea crude is generally of a high quality. It is light and low in sulphur and attracts premium prices on the world market, but it is not as suitable as some foreign crudes for making heavier products such as bitumen and some lubricating oils.

ENERGY SAVINGS ESTIMATES—WESTERN EUROPE

(% reduction from 1973 practice)

	Technical potential	1976	1985	2000
TRANSPORT				
Cars	20 – 35	3 – 5	5 – 20	15 – 25
Trucks	10 – 15	0 – 1	2 – 5	5 – 10
Ships	30 – 40	4 – 6	5 – 10	10 – 25
Aircraft	20 – 30	5 – 7	5 – 20	10 – 25
INDUSTRY				
Iron and Steel	25 – 35	0	10 – 15	15 – 30
Other furnace	15 – 35	3 – 5	10 – 20	15 – 33
Chemicals (fuel)	15 – 25	0 – 2	5 – 15	15 – 20
Other	20 – 35	4 – 8	10 – 15	15 – 25
DOMESTIC				
Residential	40 – 60	3 – 10	10 – 20	20 – 40
Comm./Public	40 – 50	3 – 6	10 – 15	15 – 35

Source: Royal Dutch/Shell Group

The Government is concerned at the high level of North Sea exports, however, and is seeking to cut them back. But its scope for changing the balance of exports in favour of increased refining in the UK is limited, at least in the short-term.

Over the next 6 months and into next year, however, the British National Oil Corporation, which is involved in selling about one third of current UK crude oil output, is aiming to sell more oil in the UK at the expense of some of its export sales. This will be a slow process, however, and can only occur as contracts expire and come up for renegotiation.

In the immediate future, Mr. David Howell, the Energy Secretary, has stated clearly that North Sea oil can only cushion the UK from the worst effects of the world shortfall—it does not offer an "escape route."

"We have to trade in different qualities of oil to meet our needs: we have international obligations, he says, "Along with our industrial partners we have undertaken to use less oil so that the supply problem is solved in an orderly way without a self-defeating scramble.

"We are also an integral part of the world trading community and rely, perhaps to a greater extent than anyone else, on trade for our standard of living. If we are to thrive, others must thrive too."

The main response of the industrialised world to the shortfall in crude oil supplies has been to pledge to cut oil demand this year by 5 per cent below the expected level of consumption.

There are few sure indications yet that this policy of demand restraint is succeeding, but the Organisation of Petroleum Exporting Countries has made it clear that there will be little chance of producers moderating price increases or increasing supplies unless the oil-consuming nations do reduce demand.

OPEC *meets next week to discuss* prices for the next six months and there is little chance of its more moderate members prevailing unless they can see determined moves in the West and, in particular, in the U.S. to use energy more efficiently.

Output

Saudi Arabia, the world's major oil exporter, is seeking to re-unify the chaotic OPEC pricing structure at the meeting and has made clear that it is considering increasing output by as much as 1m barrels a day above its self-imposed ceiling of 8.5m b/d to try to remove some of the heavy upward pressure on prices.

The price for this extra output could be that it will be forced to accept a hefty increase in the price of its main crude, Arabian Light, which has traditionally been used as the "marker" crude for the OPEC oil pricing system.

The Saudi price is already $4 a barrel lower than the price being charged by other producers for similar crudes. If it is to succeed in re-unifying the price structure, it is likely that the price of the marker crude will have to rise to $19-$20 a barrel, an increase of more than 50 per cent over the price charged at the end of last year.

The success of oil-consuming nations in cutting demand will determine how fast prices rise even further above this level. If demand remains at present levels, with panic purchases on the spot markets, the continual upward spiral in prices will ultimately push the world economy into recession and of itself this will bring a sharp *reduction in oil consumption.*

Industry and commerce, as well as domestic consumers, will therefore find themselves under increasing pressure to produce a voluntary reduction in energy use, through greater efficiency and better conservation methods to divert this threat. The UK's energy bill will almost certainly rise to about £20bn this year, of which industry will account for about 40 per cent, air and road transport about 20 per cent and the domestic sector 25 per cent.

With rising prices and tight supplies, consumers should have every incentive to use energy more sparingly, but it could be that the Government will have to give a firmer lead.

According to Mr. David Howell, energy conservation and the more economical use of fuel is now a central policy issue.

The Tory Government is by principle averse to direct intervention, but the serious problems facing energy supplies is forcing it to re-examine conservation policies and whether the current balance between pricing, information, advice, research and demonstration, incentives and legal compulsion is right.

New ways to improve conservation

WHEN Mr. Peter Jonas, the Energy Department technical adviser on conservation, is asked how the UK can cut oil consumption by 5 per cent, his answer is disarmingly simple.

"That's the amount that can be saved without major re-equipment of industry," he says. "It can be done at minimum cost in two to three months and, perhaps, even overnight. There need be no upset or hardship. Don't overdo your light or heat, wash in cooler water, switch on your central heating later and turn it off earlier."

Mr. Jonas practices what he preaches—his office in the Energy Department, overlooking the Thames Embankment, was unlit at 5.15 pm on a cloudy June day.

The 5 per cent was the amount that could be saved without changing peoples' attitudes, he added. A change of attitude, on the other hand, could yield savings of 10 to 15 per cent. He had recently visited a medium-sized plant—"if you mention the location they'll know who I'm talking *about*"—*which could cut its* energy usage "at the flick of a wrist" by 20-30 per cent and save between £50,000 and £100,000 a year. Yet this company had not even carried out a survey of its energy usage, despite the availability of Government grants for such purposes.

In order to achieve the first 5 per cent cut, many companies merely had to instal simple isolating valves, optimum start controllers, thermostats and insulations. Having done so they should then use them correctly and carry out regular checks.

Mr. Jonas personified the blend of pragmatism and resourcefulness of the Energy Department's conservation unit, set up following the 5-fold oil price rise in 1974. While willing to discuss the finer points of economisers and optimisers, heat pumps *and heat wheels, com*bined heat and power and even grandiose district heating pro*jects, his first emphasis* is on the efficient and prudent use of existing temperature controls—"Do the simple stuff first" is his dictum.

Guidance

Implicit in this attitude, shared by the conservation units in other Government departments, is a faith that industry as a whole, given the *right guidance and incentives*, could greatly improve its housekeeping standards on the lines already suggested, even though fewer than one-in-five companies keeps a weekly check on its fuel consumption.

The same attitude probably explains why the UK has so far not introduced mandatory surveys of industry, unlike France, with its strict probes into oil-burning plants, and the U.S. targeting system whereby companies declare their fuel-to-output ratio. Whether this year's harsher energy climate will lead to calls for constraint in the UK too remains to be seen.

Although the new Government has yet to spell out a detailed policy of conservation, officials in the Industry and Energy Departments appear to be pleased with the response to the various industrial *schemes, especially to the In*dustry Department's thrift scheme and the Energy Depart*ment's survey scheme.*

Since the thrift scheme was started in 1976, it has examined energy uses in about 60 sectors of industry, including glass, cement, engineering and textiles, involving some 2,200 companies. The thrift reports are said to have led to overall savings of £5.5m a year, equal to £5 per year for every £1 spent on the scheme since it was launched.

So far, five reports dealing with an entire industry have been published giving valuable guidance on energy saving. The reports focus on measures which can bring savings in two to five years. In January, the Industrial Energy Thrift Scheme was given an additional £¾m (on top of the £1.2m already authorised) for surveys of the iron and steel industry, food, drinks and tobacco.

The Industry Department also runs the more intensive Energy Audit. These look not only at how much energy is used in manufacturing but at every stage of the production process. Some of the audits are prepared by the Department of Energy's technological support unit at Harwell.

Under the more modest surveys of the Energy Department, companies are encouraged to have their plant inspected by *approved consultants.* The department offers up to £75 towards the cost of a one-day visit and half the cost of more prolonged inspections. Since the scheme began three years ago 7,000 premises have been covered and about 70 new boilers installed.

Grants

A separate conversion scheme of the Industry Department gives cash grants of 25 per cent of the cost of replacing or im*proving a boiler whose thermal* efficiency is below 70 per cent. It also helps towards replacing insulation and installing combined heat and power systems. Here again, it remains to be seen whether the Conservative Government will absolve such schemes from its general bias against State intervention emphasised by Sir Keith Joseph, the Industry Secretary.

All the evidence suggests, however, that whatever attitude the Conservatives adopt, the conservation programmes, and indeed the whole conservation movement, have acquired their own long-term momentum and a machinery which cannot be quickly dismantled.

Mr. Bernard Ingham, head of the Energy Department's conservation section, wrote recently in "Trade and Industry" that the various aid schemes were part of an overall plan to save 11m tons of *oil* equivalent (MTOE), after 10 years. Higher prices and the vigorous information *campaign* were already thought to be saving 6 per cent a year worth 12.5 MTOE.

"If we do no more than maintain this success and get the full benefit of the 10-year programme we could be saving well over 23 MTOE in 1988 that would otherwise be consumed," *he* said.

Industry's own quest for fuel efficiency is reflected in the *rapid growth of personnel* designated as energy managers, who now number several thousand organised in small groups around the country. At the last count there were about 60 such groups whose activities are encouraged and co-ordinated by the Industry Department's 11 regional energy conservation officers.

The movement has its own lively Press. Led by the Energy Department's monthly "Energy Management," whose circulation has shot from 5,000 to 30,000 in 18 months, and the glossy "Energy Manager" with a 20,000 circulation, published by IPC Business Press.

Committee

At Government level before the Election there was an inter-Ministerial conservation committee, comprising about 15 Ministers. It is almost certain to be retained now that Mr. David Howell has succeeded Mr. Anthony Wedgwood Benn as Energy Secretary. The committee's chairman is likely to be Mr. John Moore, Parliamentary Under-Secretary in charge of energy and conservation and the coal industry. The committee grew out of the July, 1976, White Paper on energy conservation.

One of the most interesting documents awaiting the new Ministers is the report on district heating *schemes like* that used in Finland. The report, by a working party under Dr. Walter Marshall, the Energy Department's former chief scientist, is to be published in about five weeks and will enable the Government to decide whether district heating is feasible in Britain. It involves provision of hot water to an entire district, but requires huge capital expenditure of mains and metering equipment.

Meanwhile, it should not be forgotten that industry itself would have responded to the *heightened* demand *for* fuel-saving equipment without Government prompting. Manufacturers of boilers rightly point out that retrieval and recycling of heat has long been an integral function of their products.

Green's Economiser Group, which has carried out work on some of Europe's biggest power stations, is at pains to stress that energy-saving is not new and that its founder invented the "patent fuel economiser" as long ago as 1845.

Mr. C. R. Wilson, Green's marketing manager, adds that a programme to ensure that *proven techniques* are used now is perhaps even more important than new techniques and alternative energy sources.

But there is still the need for a longer perspective. At present, 17 per cent of Britain's industrial electricity is generated by combined heat and power, but 66 per cent of the heat from steam in conventional power stations is being lost and half of this loss could be recovered for industrial processes if the cost ceased to be prohibitive.

Meanwhile, modest work on combined heat and power stations is in hand. In February, the Government approved a £3.5m scheme by the Midland Electricity Board for a small CHP station, in Herefordshire. It would be the first of its kind to be built by the UK electricity industry and would save 15,000 tons of fuel oil a year. The waste heat would be turned into *steam* and hot water to be piped to the nearby Bulmers cider plant and a poultry *factory.*

Danks of Netherton, which will supply the boilers, says that *this plant exemplifies a realistic* attitude towards heat recovery, as costs of fossil fuel continue to spiral.

Maurice Samuelson

Steelmen seek greater efficiency

MAJOR NEW investments in iron and steelmaking in Britain by both the private and public sectors are rapidly creating the best-equipped steel industry in Europe. By the early 1980s it will be competing with more modern equipment than its rivals in Europe. The price it will have to pay will be the servicing of large capital sums spent upon new plant during the second half of the 1970s.

To offset the high interest *rates and heavy investment*, both the public and the private sectors must secure the last *ounce of efficiency from their* modern plants.

The two areas in which cost-*savings can best be achieved* with new plant compared with old plant are in the numbers of people employed and the energy consumed to make each tonne of steel.

Energy conservation is thus a matter of fundamental importance to British steelmakers. And it is playing a particularly important role in the British Steel Corporation as the investment cycle which is running at £500m a year nears completion.

British Steel is trying to offset rising costs of some £200m during the past year. About £100m of that will be recouped by means of price rises — a major round of increases on flat products and heavy sections was announced early in June.

The remaining £100m must *be saved by running the plants* at maximum efficiency.

As each new works in the *British steel heirachy is brought* on-stream, the corporation's productivity rate edges upwards. All the *plants commissioned* within the last two years have been able to boast—by the time they have produced the first tonne of *steel—of manning* levels as good as, or better than, the best figures in the world, and extremely low consumption of energy for each tonne of steel made. At the same time, the oldest British Steel plants which are labour intensive and prodigal on their energy usage are being phased out as rapidly as agreements can be made with the work forces at local level.

Savings

Thus, there is a double sav*ing derived from the abandon*ment of expensive-to-run old plants and the introduction of *efficient new plants.*

Energy usage in the British Steel Corporation is split between *nearly 70 per cent coal*, more than 20 per cent oil, and small quantities (some 5 per cent each) of natural gas and *electricity.*

In the private sectors the companies are much more dependent upon electricity as their prime energy force for steelmaking.

When the steel industry of Britain is working at a smart pace—as it has been in recent weeks—it requires nearly 10 per cent of the total energy consumption of the nation.

British Steel still makes more than four-fifths of the bulk steel produced in Britain. Its heavy dependence upon coal for its *blast furnaces* is a dominant feature of the total energy consumption in British steelmak*ing.*

The new capital investment programme now being finalised *by the corporation has involved* radical changes in the use of coking coal for iron-making—as the pattern of blast furnace usage *has been changed with* the introduction of new equipment.

The 5,000-tonnes-a-day blast furnace built at the Llanwern strip mill, South Wales, sets a new standard for British iron-making. It is a more efficient unit than any of the smaller furnaces in use. Now the corporation is in the final stages of commissioning a furnace of twice that size—a 10,000 tonnes-a-day monster being built on Teesside to provide a ready source of cheap iron for the big oxygen steelmaking plant at Redcar.

The total investment in ore-*handling facilities*, ore preparation, and the furnace itself at Teesside is costing some £400m. *If British Steel's plans* hold good, the first cheap iron will be made in the autumn.

The effectiveness and cheapness of the new furnace will depend upon the freedom *allowed to British Steel* to use the coking coal of its choice to feed the furnace.

In the last days of the Labour Government in April, the Department of Industry *imposed a system of licences* upon imports of Australian coking coal. British Steel had *decided that the Australian* coal was both cheaper than British-mined coal for its needs on Teesside and of superior specifications for the task required.

Contracts were signed with the Australian producers in the spring by British Steel to supply some 700,000 tonnes of low volatile Australian coking coal annually at a price about £10 a tonne below the prices quoted by the National Coal Board for coking coal.

The Labour Government took the view that such imports should be discouraged until the National Coal Board had been given every opportunity to show that it could deliver coal to meet British Steel's specifications.

'Unwise'

The licensing system is expected to lapse under the new Conservative Government. Meanwhile, the European Commission has given its view that curbs upon Australian coking coal imports into Britain would be unwise.

The Australian coal—as well as being cheap—is claimed by British Steel to have the special physical and chemical qualities *which are needed to produce* suitable coke for the high pressures and temperatures of the giant Teesside blast furnace.

Assuming that the Australian contracts will be fulfilled the savings to the British Steel Corporation will be considerable *both in terms of the prime cost* of coking goal and in terms of the low cost and high quality of the iron produced *with its aid* in the new furnace.

The Teesside coke investment will be a *once-and-for-all time* saving for British Steel. Most other energy savings by the corporation are less dramatic but nevertheless effective.

British Steel has a coke bill in excess of £400m a year. In order to achieve savings three main courses of action are being adopted.

A crash programme to use less coke is being implemented. Clearly, the lead is being given by the economical new furnaces at Llanwern and Teesside. But there are other methods available. Oil, for instance, can be injected into blast furnaces. It calls for a nice calculation between coke and oil usage to achieve the most economical blend of the two fuels for iron-making.

The corporation is also putting much work into researching alternative blends *of British coking coals in order* to achieve the best mixes from NCB production for its various blast furnaces. Blast furnaces are temperamental animals. Every furnace requires individual study to achieve the optimum coke supply.

Finally, British Steel is installing preheating plants for making coke at some of its works. The principle is to pre-heat coal before it is processed in the coke ovens. Moisture is driven off and a more consistent quality of coke can be obtained to run the blast furnaces at maximum efficiency.

While iron-making is the *obvious area for energy-saving* in the iron and steel industry considerable savings can also be achieved in the steel-making process and in the rolling mills by planning and careful assessment of energy demands and correctable energy losses.

For instance, the new lines at Shotton, North Wales, for coating steel sheet with paint and plastics can recycle heat generated in the process to cut down the total energy costs of the plant.

Steelmaking is (and must remain by virtue of its basic characteristics) a high energy using process. But the energy *required* to make a tonne of steel remains far less than the energy required to make a tonne *of its close rival aluminium.* Even if energy costs continue to soar steel must continue to be a highly competitive raw material for manufacturing industry.

Roy Hodson

Gas tariffs set to rise rapidly

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nd gas oil available from the major UK oil suppliers at less than about 24p a therm. On the open market, spot prices for gas oil are nearer 30p a therm, and with the scramble for oil products continuing on the main spot markets of Rotterdam, the Mediterranean, Singapore and the Caribbean, there appears little prospect of oil prices falling back.

There was some pressure before the Budget from the Treasury for the introduction of a form of gas tax or energy equalisation tax, which would raise UK gas prices in all sectors to somewhere near the prices of other competing fuels. But the Government clearly felt that with price increases coming for most other goods and services through the sharp increase in the rate of value added tax, domestic gas consumers at least, should be spared a further gas price rise in the current financial year.

This idea is bound to be revived at a later date, however, as the debate over energy conservation measures and the more efficient use of all fuels is intensified. The price advantage that British Gas has enjoyed for much of the 1970s, which has allowed it to make substantial inroads into markets previously served by other fuels still exists, but it is under increasing attack.

Campaign

The oil companies producing the gas from the North Sea have complained for many years that southern North Sea gas prices are far too low to encourage further exploration. But most important, perhaps, the electricity industry has also mounted a campaign against the level of gas prices, prompted by its own loss of market share to the Gas Corporation.

Sir Francis Tombs, chairman of the Electricity Council has repeatedly called for gas prices to be related more closely to coal and electricity prices in the interests of both energy conservation and the long-term development of alternative fuel sources for the day when gas and oil supplies begin to diminish.

Neither the last Labour Government nor the new Tory administration has formulated a coherent policy towards gas prices. The Labour Government's main ploy for getting British Gas to raise its prices was to set it a very high financial target for 1979/80.

But the target was set for one year only, no indications were given of Government expectations for the medium-term, and the Gas Corporation was left floundering for guidance on the strategy it should pursue over the normal 5-year planning cycle.

Now the Conservative Government has caused an increase in industrial gas prices through the device of enforcing stricter cash limits. But illogically it specifically asked for no increases in the domestic fuel market, where British Gas now commands a 47 per cent share, and again avoided the issue of longer-term gas pricing.

If industrial gas prices are set to rise, however, consumers have at least some consolation that their supplies are relatively secure. At a time of oil product rationing in the UK, security emerges as an important selling point for British Gas. Discounting the iron and steel sector, natural gas last year accounted for 31 per cent of industry's fuel needs, according to the latest figures produced by the Department of Energy.

In 1978, natural gas provided 19 per cent of Britain's total energy consumption (on a primary fuel input basis) compared with only 12½ per cent back in 1973. Total gas sales last year rose to a new peak of 15.8bn therms, a rise of 500m therms over the previous year.

Sales to domestic consumers increased by more than 10 per cent and accounted for the bulk of the rise. But sales to the commercial and public administration sector were also up by 9.9 per cent and sales to industry other than iron and steel were 2.2 per cent higher.

The first three months of 1979 have seen an even steeper rise in gas consumption, largely because of the prolonged, cold winter. The total gas supplied into the national transmisison system rose by 14.1 per cent in the three months from January to March compared with the same period last year to reach a total of 6.1bn therms.

The gas market is still expanding and with extra supplies to handle from northern fields in the early 1980s, British Gas is intending to boost sales to 18 bn therms a year (6bn cubic feet a day) by 1982-83 compared with 15 bn therms a year (4bn cubic feet a day) in 1977-78. The principal expansion will come in domestic markets, where the corporation hopes to be supplying 50 per cent of demand in four to five years' time.

The gas industry is confident that the offshore natural gas reserves it already has under contract are sufficient to meet demand from premium markets at least until the end of the century. Beyond that date the supply picture is of necessity less clear, but according to Sir Denis Rooke, chairman of British Gas, it would be "astonishing" if no more commercial gas finds were to be made on the UK Continantal Shelf in the years ahead.

With a large ready-made market, the UK is well-placed to attract gas supplies from the Norwegian sector of the North Sea as an addition to UK reserves. Imported gas, largely from the Norwegian portion of the Frigg Field, accounted for about 16 per cent of UK gas consumption in the first three months of the year. By the end of 1979, the whole Frigg Field should be supplying about 1500m cubic feet a day.

In addition, Norway must decide this year on a market for the associated natural gas that will be produced from the massive Statfjord oil field, and negotiations have already been started with British Gas as well as potential continental buyers.

For the longer term, processes have been developed for producing substitute natural gas on a commercial scale from a range of hydrocarbon feedstocks, especially coal. Some time in the next century these processes will be available to augment natural gas supplies which by then will be diminishing.

For the more immediate future, British Gas is facing a steady build-up of additional gas supplies from the northern North Sea oil and gas fields. The next major boost should come next year when associated gas begins to flow along the 281-mile pipeline from the Brent Field to the onshore terminal at St. Fergus.

Shell and Esso, which are developing the Brent Field, are contracted to begin supplying British Gas in October, 1980, and at peak production the field could meet about 15 per cent of UK gas consumption.

The build-up of supplies from the northern fields has given British Gas far greater flexibility in meeting the winter peaks and summer troughs of demand. It will increasingly use the southern North Sea gas fields to balance supply rather than to provide the base load. It is also developing the Morecambe gas field in the Irish Sea for this purpose. British Gas holds 100 per cent of the offshore licence for this area of the Irish Sea, and will be able to produce gas from the field to fit its own supply needs rather than the cashflow requirements of partner oil companies.

The gas corporation has tentatively chosen Barrow-in-Furness as the site for an onshore terminal for the field, and production is likely to begin in 1984-85.

Kevin Done

Savings in textile sector

COMPARED WITH some other industrial processes, textiles is by no means a heavy energy-user, though it does have some sectors, such as dyeing and finishing, where energy for heating liquors and for drying fabrics is an integral part of the process.

Nevertheless, with competition from imports affecting all parts of the industry, manufacturers can hardly afford to overlook possible savings wherever these may accrue, and in textiles, as in other industries, considerable research has now been done on energy-savings by individual companies, and by research associations, such as the Shirley Institute in Manchester, and WIRA, in Leeds. Textiles is also one of a number of industries which are being helped to find ways of saving energy with EEC research funds.

The broad evidence is that in the UK alone in the various textile sectors—knitting, cotton and allied, spinning and weaving, woollen and worsted manufacture, dyeing and finishing—there is scope for savings of 15 per cent to 19 per cent, amounting in total to at least £20m a year, and as oil prices rise this figure too will grow.

The possibilities for saving tend to vary from sector to sector, but one constant discovered by researchers analysing textile processes for the Department of Industry's industrial energy thrift scheme has been the inefficient space heating and air conditioning of many plants.

In spinning (though the report on this sector has yet to be published), it was discovered that some companies waste heat, for example, by leaving heating on over weekends when production has stopped so that a prompt start with correct levels of temperature and humidity can take place on Monday. Many have controls to bring factories back on to heat on Sunday night, but even here instruments are often not set at optimum levels.

Apart from start-up periods, much of the heat required in textiles factories is capable of being provided by the working of the process machinery itself, but the thrift studies have shown that much of the heat is dissipated through openings in windows, doors, loading bays and elsewhere.

In nearly half the sites visited for the spinning survey, replacement of inefficient boilers, and better standards of insulation of mains and pipes delivering steam and water was also seen to be necessary. The buildings themselves in textiles —very many of them dating back to the last century when energy was cheap—are also a problem with large working spaces and poor insulation, particularly roofs.

Energy is being wasted too in other simple ways. A study of the woollen industry showed that perhaps as much as £300 per firm per year could be saved by a switch from inefficient and often grimy tungsten lighting to more efficient forms of lighting such as fluorescent tubes.

Electric motors, too, are often being run inefficiently because of deposits of dirt, which raise the temperature of the windings.

The main scope for savings within textiles, however, is where products are being wet-processed and subsequently dried. Heat used to warm dye liquors is capable of being recovered through heat exchangers and used again, but studies in the woollen industry have shown that most companies are not doing so even though the technology is estabished and the financial risk is minimal.

Simple heat exchangers have been developed specifically for textile users and are being employed to effect in the Lancashire cotton and allied industry to recover heat from hot effluent used in washing ranges used to wash fabrics after printing.

A Shirley Institute study has shown savings of £2,400 in energy over one year at one plant which installed such a device, costing £2,750, the payback period was, therefore, only around 13 months.

Heat is also available for recovery from the hot-air drying machines through which fabrics subsequently pass, and further savings can also be obtained by setting drying machines at optimum heat.

There is a tendency among Yorshire wool textile finishers to overdry fabrics, according to WIRA, the Leeds-based research body. To help overcome the overdrying problem, it has developed a monitor for attachment to stenters (drying machines) which is capable of producing savings of as much as 20 per cent in the consumption of steam.

Other more fundamental work is being done at Shirley on improving the thermal efficiency of stenters used for the heat treatment and dye fixation of fabrics.

The £100,000 project, which is being supported by a 50 per cent grant from the EEC and a 25 per cent Department of Industry grant, is looking at the way in which volatile impurities, such as the lubricants applied at various processing stages, are dispersed. In order to keep concentrations at tolerable levels, users run a high rate of exhaust to the atmosphere, involving heavy energy loss.

The Shirley study, which is due to be completed at the end of this year, is examining an alternative approach which secures the destruction of the impurities by recirculatory direct firing in the stenter. Some systems using this approach are now commercialy available but the Shirley Institute work is likely to provide more detailed theoretical calcuations of obtainable efficiences than have previously been available.

But while evidence on energy-saving is now being built up, studies in various parts of the textile industry have shown that companies are sometimes reluctant to spend money on energy-saving schemes because the results cannot be directly seen.

Contrast

By contrast, when an investment is made either to improve product quality or to increase production, the success of the change is immediately recognisable. The Thrift Report on the woollen industry also points out that investment in energy saving can sometimes be difficult to justify when other investments competing for scarce resources can give a higher return on capital.

The bigger groups such as Courtaulds, Carrington Viyella and Tootal have all now instituted major energy-savings, partly because their scale of operation means that the sums to be saved are larger. Courtaulds alone has been able to save as much as £10m over a two year period.

"In smaller companies there is much greater competition for the time of the individual who would be responsible for introducing energy-saving schemes, and for implementing them," says Dr. John Roberts, of the Shirley Institute.

There are signs, however, particularly over recent months following the major rise that has taken place in oil prices, that attitudes are changing. A recent course advertised by Shirley to train managers in energy auditing was filled three times over (with most of the participants holding senior company positions), and it is being repeated shortly.

The Shirley Institue is also hoping to mount another exercise which could help companies to a better understanding of their pattern of energy usage. The project, for which EEC funds are again being sought, involves monitoring of energy consumption on a machine by machine basis in textile finishing.

"At present, companies tend to be ignorant of where energy is being used beyond the prime input at the boiler house. They are understandably reluctant, too, simply to put in meters as this would merely equip them with a mass of extra data, which might not mean much," comments Mr. Geoff Parish, of Shirley.

The exercise now planned will aim to establish procedures for analysing such information on a routine basis so that companies will be able to isolate their energy efficiency much more easily.

The combination of measures required therefore is partly good housekeeping and partly the installation of new devices many of them relatively inexpensive. For many companies it could make all the difference between higher costs leading to lost competitiveness and staying in business.

Rhys David

Motor industry's research

THE AUTOMOTIVE industry's pre-occupation is not so much with how it might save energy in its manufacturing and assembly processes as with how its products—cars, vans and trucks—can be made more fuel-efficient.

It is a pre-occupation which has united the automotive companies around the world in a plea to governments which can be summed up like this: "Transport needs oil because, for the foreseeable future, the vast majority of engines for road transport will be fuelled by oil in one of its variations."

Sir Barrie Heath, president of the UK Society of Motor Manufacturers and Traders (SMMT) recently put it this way. "Nationally, we must look to conservation of oil wherever possible. Essentially, this means using other fuels for heating, industry, power generation and so on.

"Britain has coal reserves of immense quality and quantity and, in partnership with atomic energy, it can form the main energy source for power generation, leaving oil to be used only where no other fuel source is practicable. Transportation is our business and for the foreseeable future we know that transportation means consumption of oil.

"As manufacturers we must continue to strive to produce more fuel-efficient products. The market places of the world will insist on it. Improvements are unlikely to be breathtaking, but over the past five years fuel consumption of most new cars has been reduced by up to 10 per cent."

There has been a marked contrast in approach between the U.S. and European governments over this important issue. In the U.S., legislation is being used to force the car manufacturers to bring down the fuel consumption of the vehicles they produce—and there was certainly much more scope for improvement on that side of the Atlantic.

The U.S. Government chose that particular route because until very recently there was little market-lead demand for small and less-thirsty cars. The average American motorist still believes he is better protected in case of an accident in a vehicle which offers him a big bonnet out front and "trunk" (or boot) behind.

It has not been necessary to implement the same kind of fierce legislation for trucks because commercial pressures have forced the manufacturers to offer their customers more miles to the gallon in any new model they produce.

Regulation

But cars are being regulated by CAFE — or Corporate Average Fuel Economy. This insists that a manufacturer's entire fleet must meet a fixed average fuel consumption figure. It started last year at 18 miles per U.S. gallon (there are 1.2 U.S. gallons to the Imperial gallon), moves to 19 mpg this year and 20 mpg in 1980. Then it goes up steeply in two miles-a-gallon jumps and by 1985 the law requires the American manufacturers to reach a fleet average of 27.5 mpg.

The penalty for missing the target is $5 for each tenth of a mile or $50 a mile. Any manufacturer with a large fleet which misses the CAFE figure by very much is instantly confronted with fines totalling millions of dollars.

And, just to make sure that the individual "gas guzzling" cars disappear for good, there is a separate regulation. This insists that if a manufacturer sells an automobile which achieves less than 13 mpg there will be a tax of $550 for every one of those cars sold. This tax rises steeply and by 1986 it reaches $3,850 per car for a car getting less than 12½ mpg.

The problems of the American automotive industry have been compound by other laws and regulations covering safety and emission controls which often involve them having to add heavy equipment to their new models.

In Europe, cars have evolved with fuel economy as one of the priorities. Petrol prices in Europe are more realistic than in the States and in most markets will push manufacturers even further down the road in search of the most fuel-efficient vehicles.

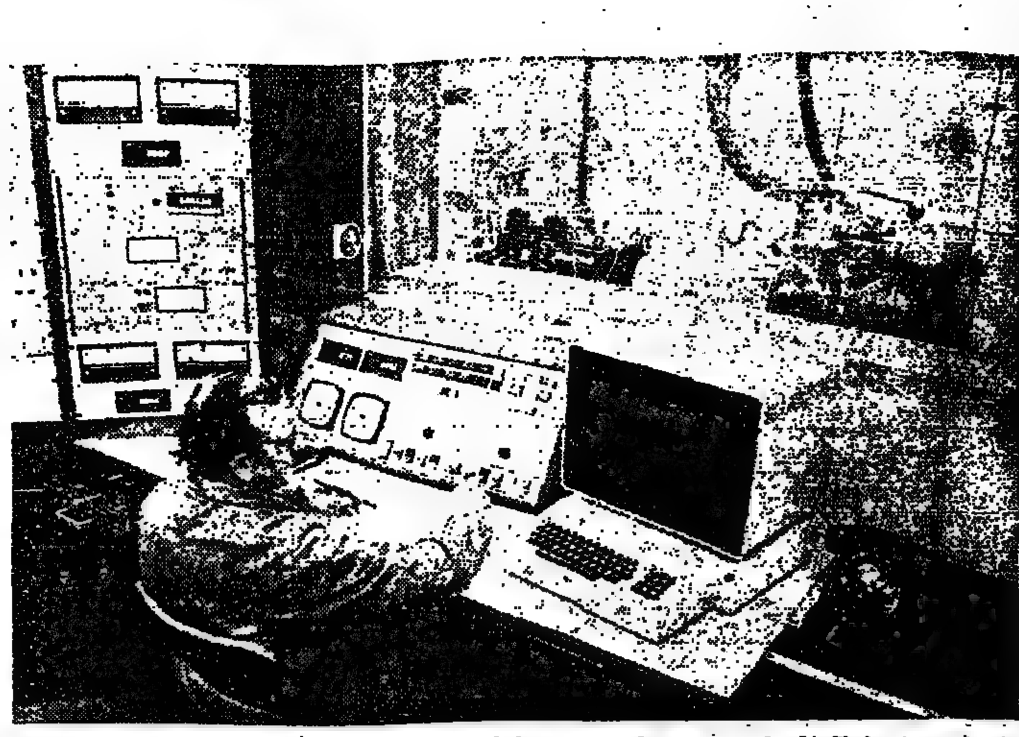
And what Government intervention there has been—and is likely to be—has involved voluntary agreements rather than legislation.

The West German industry, for example, has given an undertaking to the Government that it will aim to cut 10 to 12 per cent from the fuel consumption of the cars it produces and achieve 5 per cent for trucks by the mid-1980s.

A similar voluntary undertaking is about to be concluded between the UK Society of Motor Manufacturers and Traders and the Department of Energy. Members of the Society, including importers, will agree on a scheme to save around 10 per cent in fuel usage by the cars they sell in Britain by the mid-1980s. Trucks have not been included—once again the commercial pressures on manufacturers are greater because customers' list fuel economy as a top priority when considering a new vehicle.

There is still room for saving fuel with the cars and commercial vehicles already on the roads: in the way they are driven, tuned and serviced and the way journeys are planned.

The UK Government's Transport and Road Research Laboratory maintained recently that heavy lorries could save 25 per cent of the fuel they currently use by better use of capacity (many vehicles travel half-empty) and improved loading; by a change from cross-ply to radial and other tyres and by better driving.



Motor manufacturers are continually striving to produce more fuel-efficient products Above: One of the 120 engine dynamometer test cells at Ford's Dagenham engine plan[t] More than a million Dorset diesels have been built — and each diesel undergoes tests lasting at least two hours before leaving the plant

But the manufacturers will have to measure improvements to future cars and commercial vehicles against the best that can be achieved today.

There are several approaches open to them and most are using a combination of each.

To start with, four-stroke petrol or diesel engines are pretty inefficient and there is a long way to go to improve them without the need to change the general configuration of the engine.

At full load, an automotive of its potential energy, the of its potential energy., the remainder being lost in the cooling water, exhaust and internal friction. At part load, efficiency is far less still. For a spark ignition engine efficiency in urban driving conditions is about 8 per cent.

No single solution seems likely dramatically to decrease fuel consumption but manufacturers will combine a number of different improvements including such things as better fuel injection processes; using microprocessors to work out the optimum spark ignition in advance and even dose the amount of fuel injected; supercharging and so on.

Controls

However, the engine-makers are not just working towards better fuel consumption. At the same time, they are having to make sure that their power units do not pollute the atmosphere and are able to meet the stringent emission controls being introduced in many countries.

Vehicle design will also play a part in reducing fuel consumption. Aerodynamic drag, for example, represents on a flat, straight road about 65 per cent of the power absorbed at 55 miles an hour and 74 per cent at 70 mph for the average European vehicle and this undoubtedly can be improved.

The problem here, however, is a marketing one. As all cars move nearer the "perfect" aerodynamic shape and as designers choose the most obvious answer to the challenge of providing ample interior space in smaller cars—a transverse engine, driving the front wheels of a hatchback—the tendency for cars to look ve[ry] much the same will becom[e] even more pronounced.

Reducing the weight [of] vehicle components is anoth[er] obvious method of savi[ng] energy. Weight reduction [in] vehicles offers a double adva[nt]age: it reduces the power ou[t]put required to accelerate t[he] vehicle to its normal cruisi[ng] speed and it allows the use [of] an engine with a lower cu[bic] capacity (or the same engi[ne] with a longer drive-axle ra[tio] which in turn permits the engi[ne] to rotate at a lower speed [for] the same performance).

The weight of passenger ca[rs] has been growing steadily [for] the past 20 years or so but n[ow] the trend is definitely in t[he] other direction.

Materials such as aluminiu[m,] lightweight steels and co[m]posites such as carbon fibre a[nd] plastics will all play a part. A[nd] target weight reductions of [...] per cent, 20 per cent and 25 [per] cent respectively for the n[ew] cars of the early, mid and l[ate] 1980s are being aimed for [by] all European manufacturers w[ho] obviously believe these [...] reasonable and achievable.

Kenneth Goodi[ng]
Motor Industry Correspond[ent]

Notable successes in agriculture

BY ANY standard, British agriculture has scored many notable successes in its recent attempts to reduce energy consumption, and there is still ample scope for even further economies.

Until 1973, farming in the British Isles, in common with most other industries, was using steadily increasing quantities of fuel and electricity. But there was a sharp turnabout as the cost of oil, diesel and petrol escalated. Between 1973 and 1976 the amount of energy *delivered to British farms fell* by almost 22 per cent.

The bulk of the reduction was in oil and liquid fuels, although electricity consumption—never great—also dropped by around 10 per cent. In the same period, farm production rose in monetary terms by 113 per cent, suggesting farming efficiency was little damaged.

A recent report suggested that by relatively straightforward conservation techniques, overall energy savings could be raised a further 30 per cent with little or no impact on *productivity*.

The pressure caused by the oil crisis of 1973-74 produced particularly startling results in the horticultural industry. Before prices began their rapid climb, three-quarters of all the liquid fuels, used in crop drying and space heating on farms, were consumed in glasshouse heating furnaces and boilers.

Between 1973 and 1976, use of oil in these buildings was reduced by 32 per cent without any obvious impact on yields, productivity or basic production techniques. The reduction has also been encouraged by the *removal of state subsidies* on heating oil at the behest of the European Commission.

And there is still room for improvement, with industry experts suggesting that by reducing heat loss from glasshouses oil consumption could be further pared by as much as 20 per cent.

Work is now going on to perfect photo-sensitive blind mechanisms which close at night or in cold, dark daytime conditions and keep in the heat. Apart from insulation and the obvious advantages from *improving boiler efficiency*, simple devices like tree plantations can also offer substantial savings for horticulturists.

It has been suggested that a shelter belt of fast-growing trees alongside a glasshouse can reduce the speed of the wind over the building and reduce heat loss by this avenue by up to 10 per cent.

Still, however efficient the growers become at saving energy, their industry remains at risk from the high cost of fuel. The loss of oil subsidies is serious enough, but now the impending enlargement of the EEC to include Greece, Portugal and Spain with their vast outdoor salad industries, is threatening to increase the squeeze on all but the most sophisticated producers in the north of the Community.

Tractors and self-propelled farm machinery like combine harvesters account for most of the balance of liquid fuels used on UK farms, and here again recent experience has proved that vast economies can be made with relative ease.

The days are passing quickly when tractors are used to pull first a plough, then discs, followed by any number of permutations of harrows, rakes, rollers, seed drills, sprayers and spreaders. Although the plough is far from redundant, "minimal *cultivation*" techniques are now in use in most regions.

Aim

The object is to complete as many operations as possible in one pass. In some parts of the country, ploughing is rarely undertaken now—although there have been some worrying signs of the effects on soil structure. The land is treated with herbicides and then cereal seed is drilled directly into the uncultivated but "clean" surface.

Crop treatments are also being concentrated into as few tractor rides as possible, and "cocktails" of chemicals are now the order of the day to deal with a wide range of diseases and pests in one trip.

Many of the new energy- and time-saving developments have sprung from the drawing boards of an active and fiercely competitive machinery industry.

One example of the ingenuity shown and which has been taken up by farmers on a grand scale is the development of the "big bale." Old style balers are being steadily replaced by these monster machines which bundle up huge quantities of hay in one "*parcel*." *Handling* equipment to match has also helped reduce the amount of tractor work involved in the hay and straw baling and stacking processes.

Another farm process which has been revolutionised since the war is the sugar beet harvest. Widespread use is n[ow] made of machines which co[m]bine the three main proces[ses] of topping, digging and lift[ing] the roots.

However, the tractor towi[ng] an implement of one sort [or] another remains the main wor[k]horse on every farm, and is u[n]likely to be replaced in t[he] foreseeable future. Meanwhil[e] many improvements [are] possible in its operation.

Apart from developments [in] the tractor factories, farme[rs] themselves have considerab[le] economies within their gras[p]. Experts suggest that mo[re] skilled ballasting on a tractor [—] too often undertaken accordi[ng] to the rule of a farmers' thum[b] —can cut down wheelslip a[nd] thus reduce fuel consumpti[on] by 10 per cent. Annual replac[e]ment or overhaul of fu[el] injectors and air cleaners ca[n] save another 10 per cent, a[nd] careful maintenance of t[he] tackle towed behind the tracto[r] can also save fuel.

A study by the Internation[al] Institute for the Environme[nt] and Development, taking a po[s]sibly over-optimistic vie[w,] claims that if such straightfo[r]ward conservation method[s] were adopted, "probably 40 pe[r] cent of fuel consumption [by] tractors could be eliminated."

The potential of agricultu[re] for becoming a primary ener[gy] source in its own right [is] largely overlooked, and whil[e] techniques are clumsy and th[e] true prospects clouded, extr[a] research could produce fruitfu[l] results.

For instance, individua[l] farmers are experimenting wit[h] methane production from the[ir] slurry stores, while others a[re] using bales of straw i[n] custom-made burners for pro[]viding steam and heated air f[or] drying.

The sugar crop, as well illus[]trated by the Brazilians, coul[d] provide a useful source o[f] economically-priced liquid fue[l] for internal combustion engines. Sugar based alcohol—"gasohol" —is already widely used i[n] petrol blends in Brazil and the Government has ambitious plans to have some 20 per cent of all the cars in the nation running on neat gasohol within 20 years.

The European Community's costly surpluses of sugar beet which produce about 3m tonnes of unwanted sugar a year, might yet be converted into a valuable income earner for the bankrupt Common Agricultural Policy.

Christoper Parkes

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ENERGY FOR INDUSTRY V

Improvements in coal's competitive position

.AST five years have a dramatic reversal in tunes of the UK coal industry, turning it from to growth and ensuring is at the centre of the 's energy policies.

mmediate cause of that was the OPEC oil price f 1973/74, which, by ling the oil price, gave large advantage to its customer, the Central ity Generating Board. bsequent rise in the burn has compensated drop—of more than 5m in the sales to the steel as it went into reces- d the continued dip in eral industrial market. ver, for most of the past rs, the coal price has ter than that of oil, and seen the progressive of the advantage. Indeed, beginning of the year. d that the market was e way of oil, as labour aterial costs to the Coal Board went up han the inflation rate, roduction continued to

'est

singly, vocal criticism ed of the Board's £550m investment programme, Treasury began to take more obvious interest in irs of coal than it had

ence, in the shape of tollah Khomeini, has the aid of the NCB. The ses in the oil price con- upon the crisis in Iran ain improved its com- position: though it is at is taking advantage il price rise by pushing coal price rises on their After a nine per cent in March, the Board ed a further 12.5 per cent rise in steam (power station) coal earlier this month, and warned that there might be a further rise before next March.

The CEGB reacted strongly, saying that its consumers would suffer from these rises and that it "had no choice" but to seek cheaper imports of coal from elsewhere.

"Elsewhere," in this case, means Poland and Australia, and it is thought that the CEGB will want to import as much as 5m tonnes a year, nearly 4m tonnes up on its present level, and one which is certain to annoy both the NCB and the National Union of Mineworkers.

At the same time, however, the NCB has won its major point: that the amount of coal it will supply to the CEGB should increase. This financial year, it will attempt to supply 75m tonnes, a record level: Mr. Glyn England, the CEGB's chairman, has assured Sir Derek Ezra, his counterpart at the coal board, that he will burn all the British coal with which he is supplied.

For the moment, then, the NCB has survived a testing time and now can concentrate its energies on convincing the new Government of its central importance to the country's economy. Its forward plans—which go up to the year 2,000—have still to be approved by Mr. David Howell, the new Energy Minister, and by Mr. John Moore, the junior energy minister in charge of coal.

Already, the Government has made it clear that it will sustain the general momentum of the industry: the interesting features will be how precisely they intend to guide it.

Here, there are few clues. But it is clear that there are a number of key areas on which any new Government would wish to concentrate, and which must be the subject of debate between the Government and the board. These include: the level and, probably more crucially, the direction of the investment; closure policy; and productivity.

The board appears to have convinced the Treasury that investment running at around £500m is required to modernise the coal industry and fit it for the tasks it must take on to the end of the century.

Ambitious

These are ambitious by any standards: it must continue to be the major supplier of fuel to the CEGB, to the steel industry and to still substantial (and, the NCB hopes, growing) industrial and domestic markets, while developing alternative uses for coal—most importantly, the production of both light and heavy oils—which will increasingly become its major customer by the end of the century. To be capable of performing these tasks, it must bring on stream a great deal of new capacity.

Already, it is pressing ahead, largely on schedule, with the development of the 10m tonne a year Selby mining complex, east of Leeds, currently Western Europe's largest coal mining project, at an estimated final cost of more than £600m. It has plans to develop a 7m tonne a year "superpit" in the Vale of Belvoir, in north-east Leicestershire, though there it will have a fight on its hands.

Leicestershire and Nottinghamshire County Councils, together with various environmental and local pressure groups, have mounted a forthright attack on the project, and what promises to be a lengthy hearing on the NCB's application for the site will begin in October.

With these, and with other future projects, the Government may be expected to be in broad agreement, and will sanction the investment required.

However, opening new capacity is only one side of the exercise: the other is shutting down capacity considered to be exhausted. Here, the NCB has had major problems and it is likely that the new Government will be keen to spur them on—or to assist them—in overcoming them.

The mineworkers, who have seen pits close at a rapid rate over the past 20 years, have now decided to fight closures, usually by maintaining that reserves in the threatened pits are not yet exhausted. Earlier this year, the Yorkshire NUM won a notable victory in keeping Walton colliery open in the face of the North Yorkshire NCB's insistence that new working would be wholly unviable.

Mr. Joe Gormley, the NUM's president, has added his weight to that of the South Wales miners to attempt to reverse the board's decision on the closure of Deep Duffryn colliery.

A Conservative Government, with memories of the mineworkers strikes of 1972 and 1974, will not wish to court active resistance: however, it might be tempted to try the route of buying-out potential trouble by offering redundancy payments at the kind of levels set by the British Steel Corporation—that is, up to £15,000 for workers with long service. Department of Energy planners may find that such—or even larger—payments would work out cheaper than keeping unprofitable mines open.

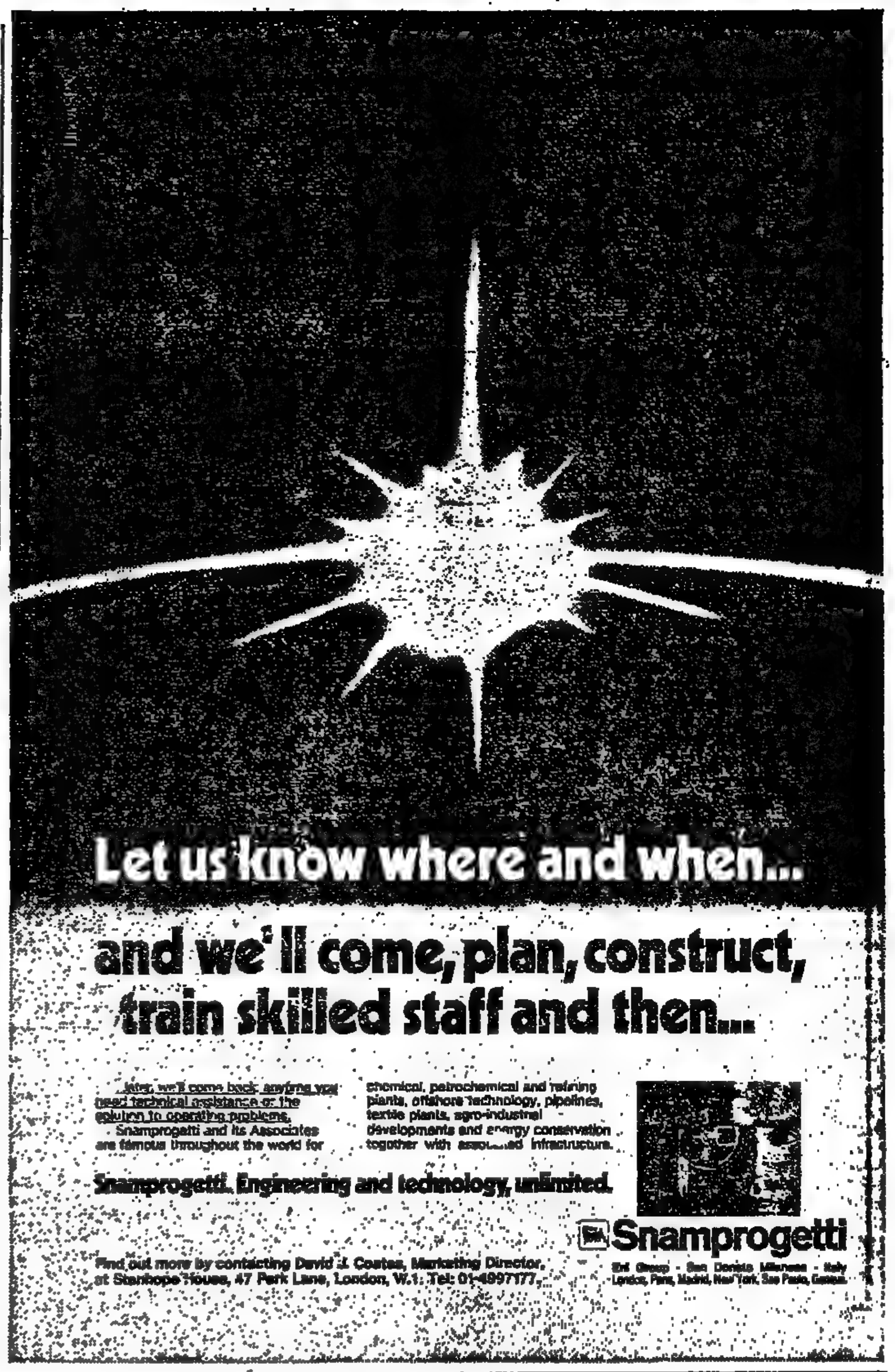
In this case, the Government would not be taking issue with the level of investment, but with the direction. Nearly half of the annual £500m is spent on old capacity, much of it loss making. It may be that the new occupants of the department will want to switch resources within the overall budget, greatly raising the proportion of expenditure on new capacity.

Difficulty

This will be a difficult task, if attempted: equally difficult for Government and board will be the matter of productivity. While the bonus incentive scheme has ben in force for over 18 months, it now appears that productivity has once more started to decline, after modest increases last year. If these trends are confirmed, it will be clear that the payments made by the coal board have not done the trick, and that productivity increases will have to wait for advances in mechanisation, which in turn wil ldepend on extra investment.

For the time being, however, the question of whether the bonus scheme should be scrapped will have to be raised. While it is clear that money is now being paid out for no increases in productivity, it may be felt, both by board and Government, that it should be retained in the interests of good industrial relations.

John Lloyd



Key question on electrical supply

ELECTRICAL supply — the largest inter- d system in the West is an efficient and system, which suffers comparison with gas on side. It does, however, number of major, long- oblems with which it e to continue to deal, it is unlikely ever to olve.

nown of these—because mediately relevant to y consumers—is the of fuel supply, which determines the prices ectricity boards up and e country charge for wer. It is a problem as become particularly ce the era of cheap oil 1973.

mma

Central Electricity ng Board, which electricity in bulk to boards, uses gas, oil, water and coal as its terials in its power —though the use of gas dro-electric power is Essentially, its fuel revolve round coal, oil clear power — each arged, easily politic- jects. Therein lies its greatest dilemma.

ir power, according to dies, is the cheapest fuel (assuming the s run at base load). To B, always wholly con- its statutory duty to power at the lowest price, that element nakes it enormously e.

ar power now supplies 3 per cent of the s electricity, a propor- ch will rise to around ent in the early 1980s wo stations now being ted are completed. In er term, as the CEGB in last year's report, ard . . . expects that ll be a requirement for larger nuclear contribu- energy supply via the electricity generation."

ritical question here is: uch larger is much The CEGB is keen to no 40,000-50,000 mega- of nuclear powered ty on to the grid by the 90s, which means com- ng nuclear power at the rate of around year from next year on. ic, can it possibly do it? e moment, the answer ppear to be no. There two power stations about to go to tender: the CEGB's project at Heysham, and the South of Scotland Electricity Board's station at Torness. Already, the Torness site, south of Edinburgh, where work has just started, has been the object of mass picketing, and an apparently widely-based campaign has been mobilised against it.

While Heysham has yet to test the waters, there is little doubt that it will attract the same reaction. Nuclear power, especially after the accident at the Three Mile Island plant in the U.S., is highly unpopular with a number of environmental groups, and probably held in some distrust by a large section of the public, which may know little of the technicalities of nuclear power, but knows enough—or has heard enough—to distrust and fear it.

In this atmosphere, both the Government — which has yet to make its views about nuclear generation known — and the CEGB know they must proceed cautiously, giving the public the maximum reassurance possible. However, as well as the environmental lobby, the supporters of nuclear power must face a very powerful industrial lobby, the National Coal Board and the National Union of Mineworkers.

Substitute

Neither the NCB nor the NUM are wholly against nuclear power. Indeed, in the NCB's view, it should be increased, but much more gradually than the CEGB thinks. The coal board sees oil supplies declining sharply by the end of the century, and believes that coal should take the place of the lost oil.

Nuclear power, it thinks, should be increased to take up the growth in demand — estimated to be between 1.5 and 2 per cent a year in the immediate future — but no more.

The coal industry is in a powerful position *vis-à-vis* the CEGB, for it is its major fuel supplier, and has recently increased the level of sales it will make to around 75m tonnes a year — a situation which the CEGB does not like and has tried hard to avoid. Coal-fired power accounts for 70 per cent of our electricity and is far and away the largest market for the NCB. The two alternative "energy strategies" espoused by the two great corporations are thus of more than academic interest.

The NCB's case is that coal is indigenous, secure and plentiful: the CEGB's case is that it is expensive (compared with nuclear power or imported coal) and subject to interruptions in supply. Thus, while it shed some 2.5m tonnes from its oil burn in the past year, and has promised to burn around 5m tonnes more of coal to make up, it has now opened negotiations for substantial levels of coal imports, from Australia and Poland, possibly up to as much as 5m tonnes. This is necessary, it argues, to safeguard flexibility.

Tension

While both industries have a large interest in agreeing, and indeed do for much of the time, *the tension between them is real* because of the clash in their roles. The CEGB wants to provide cheap electricity: the NCB to secure a future for an expanding coal industry.

Where the one wishes to shop around the international energy marketplace, the other wants to tie its major customer down far into the future so that it can plan sensibly. It is here where resolution must be effected, though it is difficult to see how.

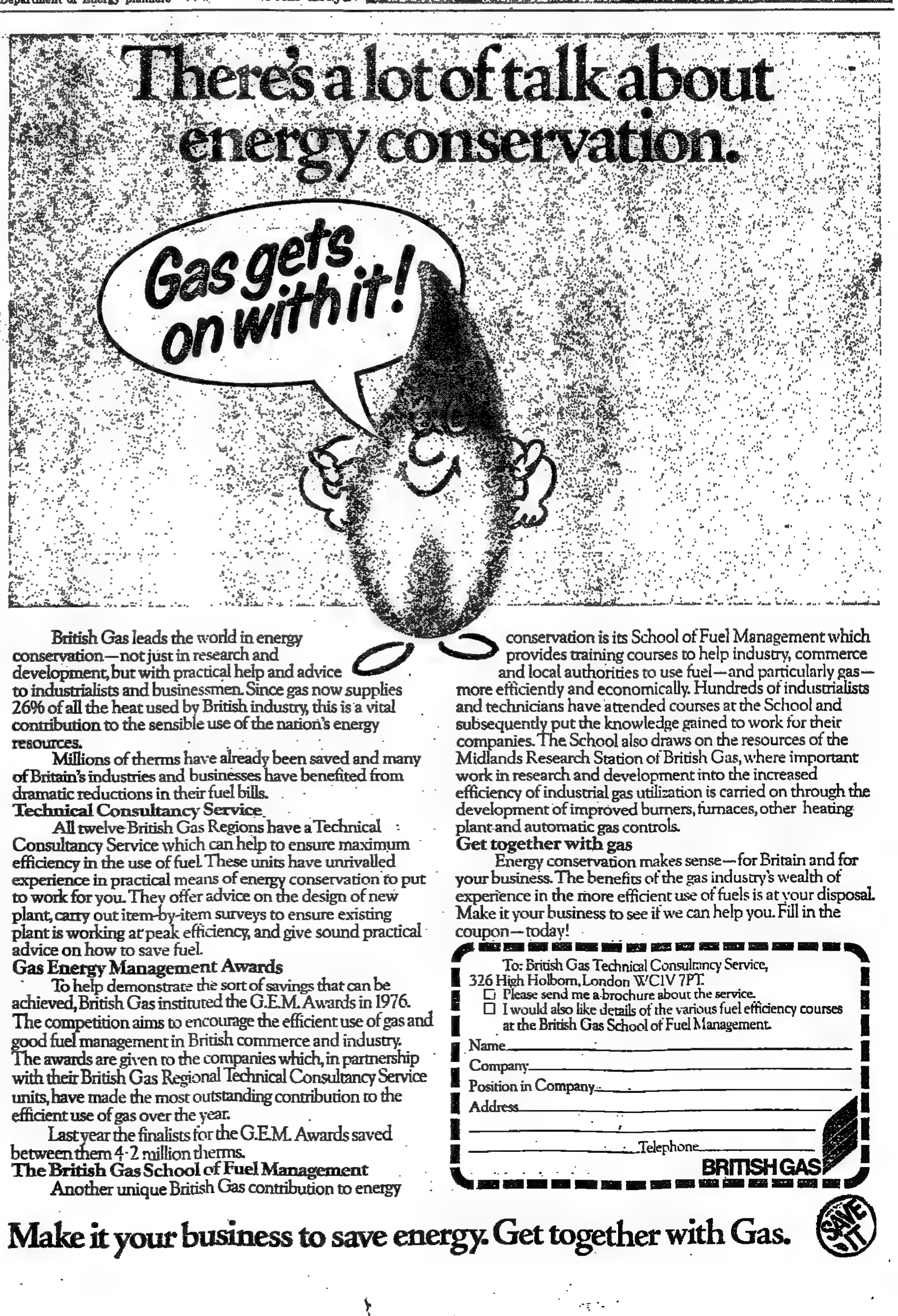
The second major difficulty facing the electricity industry is the provision of power stations. Besides the problems associated with building nuclear stations, it is faced with low productivity on building sites, lengthening lead times for stations and a nuclear station type—the advanced gas-cooled reactor—which so far has not developed a "standard" product and which costs it dear.

Added to this is continuing uncertainty over a British pressurised water reactor, and on whether or not to build a fast breeder: the implications for the under-worked UK power plant industry of a continuing trough in the CEGB ordering programme: and a Government keen to find relatively painless cuts in public expenditure, and it can be seen that future building causes heartaches in the Board's City headquarters.

However, large and complex as they are, neither are likely to be deeply wounding. While the Board probably will pay more for its fuel than it would like, it will receive it: and it is inconceivable that it would be starved of investment capital to the point where supply was in jeopardy.

Last winter, the coldest for many years, it was running flat out (*and received a little help from the SSEB*). But there were no breakdowns or blackouts: it passed a severe test.

John Lloyd



Oil markets again in turmoil

STEADILY RISING crude oil production from the North Sea has failed to insulate the UK from the turmoil that has overtaken world oil markets in the last six months. With rapidly increasing prices, and deliveries of most oil products controlled through strict allocation schemes, oil users face an uncertain and troubled future.

Until the beginning of the year the prices of most oil products had remained unchanged for about 20 months and, in real terms, oil prices had been falling for more than four years. The temporary surplus of crude oil supplies that developed in 1977 and the first half of 1978 served to obscure the less comfortable long-term trends in energy supplies.

Towards the end of last year the prices of some lighter products, such as gasoline and naphtha, began to rise, however, on the spot markets in the face of increasing demand.

But it took the turmoil in Iran to remind the industrialised world how little flexibility remained in the oil supply system. The dramatic surge in prices developed in the wake of the halting of all oil exports from Iran for ten weeks from the end of December.

The revolution which brought down the Shah in February has caused chaos in world oil markets and is leaving its mark on all the economies of the world both in the form of higher prices and in reduced supplies, which for many countries has meant oil companies rationing deliveries of oil products to all customers.

The next round of increases in crude oil prices is expected at the beginning of July, following next week's meeting of the Organisation of Petroleum Exporting Countries. OPEC is convening at the end of the five-month period in which the oil producing countries have forced up prices in some cases to more than 50 per cent above the level they were charging at the end of last year. The only exception to this process of leap-frogging increases has been Saudi Arabia, the leading OPEC member, which has traditionally set the price of the OPEC "*marker*" *crude, which is the* foundation of the Organisation's pricing system.

That pricing structure is in complete disarray because individual producers have been adding extra surcharges to their prices with little regard to the quality of their crudes. Saudi Arabia has so far held the price of its Arabian Light crude to $14.55 a barrel. But its action to try to moderate price increases has merely served to detach it from the rest of the market.

With available supply unable to meet demand, largely because of the much lower level of oil production in Iran, individual members of OPEC have been able to take advantage of the tight market and set higher prices with little regard to the price of the marker crude.

Iran

Iran itself has made much of the running in imposing a rapid series of price increases, following the resumption of exports in late March. Since June 1, it has been charging $18.47 a barrel for its light crude, an increase of just over 44 per cent in five months. When the OPEC countries met last December they had envisaged an increase of 14.5 per cent over the year, with the rises coming in careful quarterly stages.

Even an increase of that size was sufficient to draw dismayed reactions from the U.S. and other oil-consuming nations about the depressive effect it could have on the world economy. But neither OPEC nor the industrialised world had contemplated increases of the scale that is now emerging.

The largest individual price increases have been imposed by the three major African oil producers, Algeria, Libya and Nigeria. Libya has set the latest peak with an increase of 53 per cent since the beginning of the year bringing the price of its main Es Sider crude to $21.09 a barrel and the price of its Zueltina to $21.31 a barrel.

Together, the three African producers represent an important part of OPEC production and account for a major portion of the world's output of high quality, light low sulphur crudes, which attract special premiums from refiners.

Led by Algeria, the Africans decided unilaterally that the "realistic" price of the marker crude had risen to $17.00 a barrel in the Gulf. They recognised that Saudi Arabia no longer controlled the market and decided unilaterally to use the figure of $17.00 as the basis for their pricing rather than the Saudis' price of $14.55.

Saudi Arabia has indicated that it will try to restore some order to the oil market by trying to re-unify the price structure, but its room for manoeuvre appears strictly limited. At the OPEC meeting next week it is probable that the kingdom will be forced to recognise the new market price levels and will bring its own prices into line with those charged by all other OPEC members.

Iran is already charging $18.47 a barrel for its light crude, which is directly comparable to Saudi Arabia's Arabian Light, priced at $14.55. Equally, Iraq, the other important producer of a similar grade of crude, is demanding the *status* of "most favoured seller," which in effect means that it is demanding from its customers the equivalent of the highest surcharge set by any other OPEC member.

In recent years, Saudi Arabia has possessed sufficient reserve production capacity to be able to control prices by the amount of output it chose to release on to the market. But in the last few months the oil conservation lobby in Saudi Arabia has been growing in strength.

At the same time, the political constraints on the Saudis' freedom of action have been tightened by its entry into *the ranks of the militant Arab* countries that have rejected the Egyptian-Israeli peace treaty engineered by the U.S.

With the recent events in Iran to add to its discomfort, Saudi Arabia appears singularly ill-equipped to prolong its traditional role as the leader of the moderates in the OPEC camp.

At current OPEC production levels there is still a shortfall between crude oil supply and demand of 1.5-2m barrels a day, or about 4 per cent. It is this imbalance which is allowing prices to rise virtually unchecked and has seen prices *charged on the spot market* increase to $36 to $40 a barrel. The spot market accounts for only a very small percentage of the crude oil moving on the world market, but it is indicative of the continuing scramble for all available crude.

The shortfall in crude supplies took several weeks to work its way through the supply system, but, by February, some of the smaller oil companies in the UK were forced to begin rationing deliveries to all their customers.

By the beginning of June, all UK oil suppliers had implemented rationing schemes of varying severity. Shell, the joint market leader, has cut deliveries to 95 per cent of last year, Esso to about 93 per cent of last year and Mobil to 90 per cent. Some smaller companies, such as Burmah, have been forced to cut deliveries to only 80 per cent of last year's levels.

All oil users in the UK have been hit by the cuts in supplies, particularly the transport sector, where airlines and the railways have had to cut some services and road hauliers have had to restrict some of their operations.

The UK Government is seeking a cut in oil consumption of 5 per cent below forecast levels of demand over the year to try to bring supply and demand back into balance and the need to encourage greater energy conservation has been recognised as a major policy priority. Oil stocks were badly depleted during the long, cold winter and one of the reasons for the present severity of the cuts in oil product deliveries is the over-riding need to re-build stocks in preparation for next winter.

The UK's domestic crude oil production is increasing steadily. At the present level of about 1.5m b/d, it is equal to about three-quarters of consumption, but it does not provide an escape route from the shortages facing all oil-consuming countries.

North Sea crude oil prices have risen along with the similar African crudes by nearly 50 per cent this year. And about 45 per cent of production is still being exported in exchange for some of the heavier crudes needed by UK refineries.

Crude oil shortages and higher crude prices have been reflected in product prices in the UK in the form of five price increases since the beginning of the year. Taking into account tax and duty increases imposed by the Government, petrol prices have risen by about 41 per cent since the beginning of the year to an average of around £1.10 for a gallon of four-star. Prices for other products, such as gas oil and fuel oil, have gone up by 20-25 per cent.

With average crude oil prices set to rise by about 50 per cent by October, oil users will face continuing price rises for the rest of the year and unless Saudi Arabia can sustain far higher production levels the shortages in the crude oil supply system are unlikely to be alleviated before the winter.

K.D.

Problems for the chemical industry

THE CHEMICAL industry accounts for 12.5 per cent of Western Europe's annual oil and gas consumption—a modest figure compared to the 20 per cent taken by private and public transport and the 26 per cent used for home heating.

Yet chemical companies are still among the biggest industrial consumers of energy. One reason for this is that many of them rely on oil and gas to provide their raw materials, as well as to power their plants.

This two-fold need for oil and gas has meant that the chemical industry as a whole has been *particularly hard hit by the current* energy crisis. Iran's revolution and the subsequent cutback in her oil exports has brought dramatic increases in the price of naphtha—a vital feedstock for petrochemical production, although it is also used to make petrol.

At the same time as petrochemical manufacturers have been trying to cope with the problems of increased costs, *man ycompanies in the UK have* had difficulties in obtaining enough fuel to power their plants.

The one compensating factor in this otherwise bleak picture is that chemical companies have shown themselves to be more aware of the need to save energy than some other manu*facturers. This is partly because* of their greater need for oil products and partly because many of them experienced a similarly tough time during the last world oil crisis in 1973 to 74.

In the ten years between 1967 and 1977 the UK chemical industry cut the amount of energy it used to manufacture one tonne of product by 27 per cent. It is aiming to reduce its consumption of energy per manufactured tonne by a further 10 per cent during the ten years to 1987 although it is not confident that it will achieve this target.

All the major UK chemical producers are running energy saving programmes. But as all energy-users find, it is the initial cuts in consumption that are the easiest to make.

*The first step in reducing con*sumption is to improve basic housekeeping and chemical companies have benefited as much as other manufacturers from persuad*ing employees* to switch off unnecessary lighting and heating. Imperial Chemical Industries says a more efficient use of heat and light at its Mond division in Runcorn, Cheshire, saved it £60,000 in a single year; it adds that greater vigilance and better energy monitoring at its nylon plant in Wilton-on Teesside brought savings of £150,000 a year for three years on a total service budget of £20m.

For chemical companies, the second stage in any programme to cut energy consumption is often the installation of equipment to recycle the heat given out by plant processess themselves.

Substantial energy savings have been made in this area but the biggest savings of all usually result from new, more efficient chemical processes. Inevitably, these are the hardest to make. New processes require lengthy research plus considerable design and engineering development—all of which is extremely costly even without the expenditure needed to put up a new plant.

This is why the chemical industry's progress in reducing its energy consumption has slowed down slightly in the last two or three years. It also accounts for the industry's hesitancy over its ability to cut energy use by a further ten per cent during the next ten years.

Yet the shortfall in oil supplies has led the industry to redouble its efforts to conserve energy. As Maurice Hodgson, chairman of ICI, pointed out last month, the financial savings can be considerable.

He said that ICI had cut its *energy consumption* per tonne of production by 18 per cent between 1971 and 1977—an average reduction of 3.2 per cent per annum. But if the group had managed to cutback its energy use by five per cent a year instead of 3.2 per cent, it would have saved an extra £80m in 1978. This would have been enough to pay for the chloromethanes and polypropylene plants it had decided to build last year.

Mr. Hodgson added that the ICI group now consumed a total of 15m tons of crude oil and crude oil fractions each year. The total cost to the company was £750m.

The Government is urging a 5 per cent cut in the UK's overall energy use, but the Chemical Industries Association fears that this could rebound on industry. It says that if the *cutback is achieved by using* more coal in power stations and by reducing the amount of petrol produced at oil refineries, the result could be a further limiting of fuel oil supplies.

It claims this could hit the chemical industry particularly hard, especially as some UK companies have already had to cut their production because of the difficulties of obtaining fuel oil.

It is equally concerned about the ability of petrochemical companies to pass on their own increased raw material costs to their customers. So far, many of the major producers have had considerable success in passing on their higher costs; some, notably plastics materials manufacturers, have seen the upward spiral of oil prices as a God-given opportunity to raise their depressed profit margins.

But the CIA believes that a further increases in Organisation of Petroleum Exporting Countries' oil prices could push up petrochemical prices to the point where demand starts dropping.

Plastics

A drop in demand for plastic goods would not be in the interests of energy conservation. The British Plastics Federation says it takes five times as much energy to produce a cast iron pipe as it does to make one from polyvinyl chloride; it adds that it takes twice as much energy to make a glass bottle as a PVC one and one and a half times as much energy to manufacture a paper bag as to make one from polyethylene.

The federation also says that while one barrel of crude can be used to make enough petrol to drive for 1,000 kilometres, the same barrel can be used to 160 metres of PVC water hose, four polypropylene bottle crates, one synthetic rubber car tyre, three inner tubes and 500 pairs of tights.

The success of the UK chemi*cal* industry in reducing its energy use is on a par with that of France and Germany. But it is clear that chemical companies in all three countries are going to find it much harder to make further cuts in their use of oil, gas and electricity.

It is perhaps understandable that some chemical industry leaders in Europe are beginning to demand greater savings in the amount of energy consumed by U.S. chemical companies per tonne of production. Just as American motorists are more profligate in their consumption of petrol than their European counterparts, so U.S. Chemical groups use 40 per cent more energy than UK, French or *German groups to produce a* tonne of chemicals.

Sue Cameron
Chemicals Correspondent

zil cuts ar crop get

JANEIRO — Brazil's
d alcohol Institute
id yesterday it had
' 1979-80 sugar produc-
0m tonnes, down from
luced in 1978-79. But
roduction has been
3.8bn litres, up from
produced in the
rop year.
ernment said recently
to triple its alcohol
by 1985 to pro-
cars with alcohol
thereby help reduce
ry's dependence on
il.
A said that with
nsumption forecast at
nes, exports would be
the 1979-80 year to
nes, in line with its
ler the International
eement.
ington, Bob Bergland,
ulture Secretary, said
port fees would be
by 0.60c per pound for
quarter to 3.36c per
raw sugar and 3.88c
sugar.
tion is being taken
quarterly import fee
tablished last Decem-
provides for auto-
istments of the sugar
es in response to
world prices.

er Thai oca forecast

NGTON — Thailand's
of tapioca products
is forecast at 5m
own from 5.5m esti-
1978, while exports
ed to decline to 4.5m
om 6,275,000 tonnes
1978, the U.S. Agri-
partment's attache in
aid in a field report.
ort said the long dry
pring held back some
lanned expansion in
but high producer
e led to heavy plant-
April.
ort said a minimum
ice for tapioca pro-
been proposed, also
rt to control exports
C, and hopefully to
e the problem of
n.
y of Thai tapioca feed
as been a serious and
problem for many
e report said, and
ion will be found
the price is high."

Tin price soars to record level

BY JOHN EDWARDS, COMMODITIES EDITOR

THE LONDON Metal Exchange is to hold an emergency meeting today following a spectacular rise yesterday in the cash tin price of £475 to a record £8,150 a tonne.

The rise is the result of an acute shortage of supplies immediately available to the market.

At one stage the premium asked for "lending" tin over the weekend to dealers short of supplies to meet commitments reached £310 a tonne, but it came back to £200 after officials discussed the situation with the dealer holding the bulk of available stocks.

However, is feared that the squeeze on supplies might last for some days yet, because of shipping delays and the Metal Exchange is anxious to ensure the trading reputation of the market is not harmed.

The main consideration will be to ensure that a "corner" is not established by a technical shortage of supplies. A similar incident on the copper market some years ago created considerable repercussions for the Exchange.

The squeeze on tin supplies available to the London market comes at a time when it was generally expected that prices would ease as a result of production and consumption coming into balance.

The three months quotation rose by only £47 to £7,159.5 a tonne yesterday leaving it nearly £1,000 below the cash price. It is understood a considerable quantity of supplies are on their way to the London market, attracted by the premium prices, but these may take some time to arrive as a result of various shipping delays and hold-ups.

In contrast with tin other metal markets were quiet. Copper cash wirebars fell again, losing £9.5 to £892.5 a tonne on lack of buying interest and speculative profit-taking sales. The decline in lead accelerated with the cash price falling by £21 to £633 a tonne. This compares with the peak of £701.5 reached only last Friday.

New frost fear boosts coffee

BY RICHARD MOONEY

LONDON COFFEE futures prices rose sharply yesterday in response to reports that a new cold wave was threatening Brazil's coffee area.

The September price ended the day £42.5 higher at £2,039 a tonne after rising to £2,050 a tonne at one stage. But the price is still below the £2,084.5 a tonne peak reached a week ago.

Traders bought coffee on talk of a new frost risk at the weekend and later shrugged-off a Brazilian Weather Department statement that there was no immediate frost threat.

Department sources said there was a cold air mass with a reading of 1,028 millibars over Argentina. But they said this was expected to move out into the Atlantic rather than due north into Brazil's coffee states.

The cold air mass would have to give a reading of 1,030 millibars and be moving directly northwards to be a real danger, they said. The Weather Department has no special frost warning in force for Southern Brazil, they said.

London traders said the political unrest in Uganda also encouraged higher prices.

In Tokyo meanwhile, Brazilian Coffee Institute export director Sigurd Schindler, on a trade mission to Japan, said Brazil did not want any coffee price rise. He told Japanese traders he hoped prices would stay at a level that would not dampen demand.

● The U.S. Department of Agriculture expects wolrd cocoa bean production in the 1978/79 crop year to total 1.48m tonnes. This would be up from an earlier estimate of 1.44m tonnes but still 1.5 per cent below the 1977/78 harvest of 1.5m tonnes.

World cocoa bean grindings are forecast at 1.4m tonnes, 2 per cent more than the 1.37m tonnes processed in 1978.

On the London futures market yesterday, September delivery cocoa rose £5 to £1,621.5 a tonne, halting the recent downtrend.

Increased grain stock urged

MANILA — Bleak forecasts of food shortages in developing countries during the 1980s showed the need for a 30m tonne food grain reserve, World Food Council president Arturo Tanco claimed here yesterday.

Mr. Tanco said the proposed 15 to 19m tonne grain stock pledged by wheat exporting and importing countries in Geneva last February would be insufficient to cope with a global food crisis on the scale of the one in 1974.

He plans to press for doubling the wheat stocks at informal talks being held in London by the International Wheat Council to pave the way for a new international wheat agreement.

In Washington U.S. Agriculture Department officials denied market rumours that the USDA plans to issue a new, lower estimate on 1979 Soviet grain production.

They said the next estimate of Soviet grain production was tentatively scheduled for July 9.

USDA officials said hot, dry weather continues over parts of key Soviet grain growing regions. They said a new crop forecast could be released before July 9 if it became apparent that Soviet grain production was going to fall below 170m tonnes, the low end of the previous estimate, putting the crop at between 210 to 170m tonnes.
Reuter

French maize crop estimate

By Our Commodities Staff

THIS YEAR'S French maize crop is expected to rise about 1.5m tonnes from last year's 7.6m, the French Maize Producers' Association said yesterday.

But this indicated a lower crop than that forecast by a French Cereal Producers' Association spokesman on Wednesday. He said maize output should rise about 2m tonnes to 9.6m.

Aluminium Output record

WESTERN WORLD aluminium output reached a record 1,004,000 tonnes in May, the International Primary Aluminium Institute said yesterday.

The figure compares with 966,000 tonnes in April and 957,000 tonnes in May 1978.

EEC price package will hit livestock producers

BY JOHN CHERRINGTON, AGRICULTURE CORRESPONDENT

BY HIS agreement to the new price package Mr. Peter Walker, the Minister of Agriculture, has probably jeopardised any immediate opportunity of getting the European milk surplus under some sort of control. His success in securing the extra 5 per cent devaluation of the green pound while assisting the already prosperous arable sector could well be extremely serious for livestock farmers whose production makes up 70 per cent of total British farm output.

It means that the cereal proportion of animal feed which is about 60 per cent will face a rise of roughly £10 per tonne over the basic price a year ago when the new green pound rate comes into operation on August 1.

The Milk Marketing Board has refused to commit itself as to the degree of price rise that even the supplementary 5 per cent will bring in addition to that awarded last April. This is because the dairy products market is glutted and there is a serious threat of imports of "long life" milk from France and other places. The defence against these imports is a highly technical one and could well be invalidated by a ruling of the European Court in the near future.

British dairy farmers are particularly vulnerable because apart from the Dutch they use more compound feed per gallon produced than any other Community farmers.

Pig farmers will also suffer a continuation of the increased feed costs which might have been reduced at the coming harvest had there not been a green pound devaluation. The protection they will get from the consequent reduction in the MCA subsidies could well be minimal. For instance although the April devaluation forced a reduction in Dutch producer prices it made no difference to those in Denmark where, in fact, producer prices were raised a fortnight ago.

Nor will poultry farmers have much joy. There is no support mechanism for either poultry, meat or eggs and the latter sector is already in serious trouble.

UK wheat imports up

UK IMPORTS of wheat, including durum, totalled 217,000 tonnes in March compared with 141,000 tonnes in February and 245,000 tonnes in March 1978, the Home Grown Cereals Authority said yesterday.

This brought the total for the crop year from August to the end of March to 1.76m tonnes against 2,369,000 tonnes in the same period a year earlier.

Details of UK imports and exports are late due to an industrial dispute earlier in the year. The April figures are expected to be released during the next two weeks.

Maize imports totalled 294,000 tonnes in March compared with 208,000 tonnes in February and 216,000 tonnes in March 1978, with the cumulative total at 2,265,000 tonnes against 2,542,000 tonnes.

MARKETING

Control the only answer

BY JOHN CHERRINGTON, AGRICULTURE CORRESPONDENT

PETER WALKER, the Minister of Agriculture, has let it be known that he is not in favour of full scale inquiry into agricultural marketing as proposed by his predecessor, John Silkin. Instead, the proposition is that he should ask a few experts to have a look at the situation. This would certainly be cheaper than a Royal Commission or anything of that sort, and would probably come up with the same answer — that in the circumstances there is little to be done. Farmers are quite capable of getting the most out of the market.

I agree that they would like more, and perhaps they deserve more. But the circumstances of the British market are unique. Britain is the largest importer of food in the world and this means that suppliers, our Common Market partners, New Zealand and so on, have a most powerful incentive to supply us with what we need and of the highest quality too.

Farmers, and their selling organisations in those countries, are able to impose a discipline on their suppliers which is simply not practical in Britain. In Holland, for instance, the quality controls on vegetable exports are very strict. Only the best leaves the country and the remainder is either destroyed if it fails to reach a reserve price, or is sold on the home market.

In Britain, the horticulturist has no such discipline. He can sell through a group or co-operative and subject himself to grading, or he can send into the open market himself and take his chances. In the markets for perishable foods excellence is seldom enough. When the market is short and trade is good, poor quality produce sells almost as well as the best. When the trade is bad, neither quality sells particularly well. Second or third rate produce cannot be taken off the market and destroyed in Britain.

Danish bacon is often used as an example of what the farmer here should aim for. I agree that it has no peer but the Danes only export top quality. The remainder is sold at home, and the Danes control the whole of their pigmeat industry to that end. This control by producers would probably be illegal here under present monopoly legislation. Much British bacon is top quality and fully up to the standard of the Danes. If only a third or half our bacon type pigs were to be sold for bacon the quality would be fine. But in the British market it all has to be sold.

Many farmers don't like submitting their stock to strict quality controls, and because they have the alternative of auction markets they don't do so. It is sometimes the case that the price of pigs on the open market for pork or other use, is higher than is obtainable under the bacon contract.

Farmers, in spite of what everyone says about their lack of marketing expertise, know how to chase after the most money. For this they are accused of disloyalty to whatever organisation is seeking to organise the market. There are some cases when they fail to honour their agreements to supply and put their stock in markets instead.

But this is a human failing, and it is difficult to see how it could be overcome without either monopoly selling organisations or marketing boards with absolute powers.

There is already one in existence. The Milk Marketing Board, which for 45 years has marketed milk and so relieved dairy farmers of having to do more than simply produce it. No dairy farmer has had to worry about selling it for all this time. In fact he hasn't had to think at all, except of ways in which he can increase his production. As the majority of European dairy farmers are in roughly the same happy position, butter "mountains" continue to rise.

Farmers would have been quite content to have had the same system applied to all their products. In fact, they demanded it during and after the war only to be refused by successive governments. FMC, the Meat and Livestock Commission and the Home Grown Cereals Authority are very pale reflections of what some of the full blooded marketeers were demanding at the time.

There are some extremely efficient examples of co-operation, particularly in the vegetable and horticultural sector. But it always seemed to me that these benefitted the buyers more than the producers. These arrangements do not of themselves support prices, they have no overall control of the market and are just as dependent on market levels as is the non co-operator.

There is one area in which the farmers position is weakening. In cereal marketing the ultimate buyers — miller, maltster and compounder — are in a position to impose arbitrary standards against which the farmer has little redress as most of this trade is through a merchant intermediary who acts as an agent.

Overall though, the only recipe for a stable market is to keep it under-supplied. That is something farmers everywhere never seem to learn.

ISH COMMODITY MARKETS

METALS

ower on the London Metal inly reflecting the strength against the dollar. After und £913 forward metal £904 owing to the rise nd. Thereafter it rallied the higher than expected ing to touch £916 before late kerb at £909.5. Turn- tonnes.

	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
	[illegible]-2.5	−14.7	892-3	−9.5
	[illegible]07-8	−15.7	907.5-8	−9.75
	[illegible]92.5	−14.5	—	......
	865-6	−15.7	865-6	−9.5
	887-8	−14.7	887-8	−9
	866	−15.5	—	......
	—	......	—	......

ed Metal Trading reported morning cash wirebars 92, three months £904, 05, 9, 10, 09, 08, 07.5, 08, 07. Cathodes cash £886, three . Kerb: Wirebars, three 7.5, 07, 08, 05, 05.5, 06. Wirebars, three months 12, 13, 10.5, 10, 9, 8, 8.5. Cathodes, cash £865, three . Kerb: Wirebars, three , 9, 9.5, 10, 11, 10, 9.5.

r.. A feature of the market ute shortage of nearby ch pushed the cash price 0 in the morning. This came even more severe oon when the price jumped 's high of £8,100 with g offered at £8,200. Turn- nnes.

TIN	a.m. Official	+ or —	p.m. Unofficial	+ or —
High Grade	£	£	£	£
Cash	7890-900	+297	8100-200	+475
3 months	7095-115	+12.5	7160-80	+45
Settlem't	7900	+300	—	......
Standard				
Cash	7890-900	+297	8100-200	+475
3 months	7085-95	+2.5	7159-60	+47
Settlem't	7900	+300	—	......
Straits. E.	$1988	......	—	......
New York	—	......		

Morning: Standard, cash £7,760, £7,810, 30, 40, 20, 7,900, three months £7,110, 20, 10, 7,100. Kerb: Standard, cash £7,850, three months £7,090. Afternoon: Standard, cash £8,000, £8,050, 8,100, three months £7,110, 20, 60, 50, 40, 30, 50, 60. Kerb: Standard, three months £7,140, 60, 50.

LEAD—Down as speculative selling and the rise in sterling depressed forward metal from £608 on the early pre-market to a low of £594 prior to a close on the late kerb of £597.5. An easing in the nearby supply situation narrowed the backwardation to around £37. Turnover 9,550 tonnes.

LEAD	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Cash	630-1	−36.5	632-4	−21
3 months	592-3	−23	596-7	−21
Sett'ment	631	−35	—	......
U.S. Spot	—	......	*54-6	......

Morning: Cash £631, three months £591, 93, 95, 96, 97, 95, 94, 95, 94, 93, 95, 93. Kerb: Three months £593.5, 93, 92. Afternoon: Three months £596, 97, 96, 97. Kerb: Three months £595, 96, 97.

ZINC—Easier in quiet trading with forward metal dipping from £364 to close the late kerb at £361. Turnover 2,375 tonnes.

ZINC	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Cash	347.5	−7	345.7	−7.5
3 months	361.5	−8.5	360-1	−6
S'ment	348	−7	—	......
Prim.west	—	......	*59.5	......

Morning: Three months £362, 63, 62, 64, 63, 62, 61. Afternoon: Cash £348, 47, three months £364, 62. Kerb: Three months £363, 61.

ALUMINIUM—Fell away owing to the rise in sterling against the dollar which saw forward metal drop from £750 on the early pre-market to close the late kerb at £745, after £743. Turnover 5,350 tonnes.

Alumin'm	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Spot	740-2	−5	756-40	−18.5
3 months	743-4	−8.5	742.5-3.5	−14.2

Morning: Three months £747, 48, 49, 48, 47, 46, 43, 44. Kerb: Three months £743, 44. Afternoon: Three months £745, 44, 43. Kerb: Three months £746, 46, 45.

NICKEL—Marginally firmer in subdued trading with forward metal easing to £2,880 in the morning owing to the strength of sterling before rallying to close the late kerb at £2,950 reflecting the recovery in copper. Turnover 438 tonnes.

NICKEL	a.m Official	+ or —	p.m. Unofficl't	+ or —
Spot	—	......	—	......
3 months	2865-90	−5	2950-60	+17.5

* Cents per pound. ‡ $M per picul. † On previous unofficial close.

Morning: Three months £2,900, 2,880, 85. Kerb: Three months £2,900. Afternoon: Three months £2,920, 30, 60, 70, 60, 50. Kerb: Three months £2,960, 50.

SILVER

Silver was fixed 2.15p an ounce lower for spot delivery in the London bullion market yesterday at 404.25p. US cent equivalents of the fixing levels were: spot 887.3c, up 2.3c; three-month 88.70c, up 3.5c; six-month 905.1c, up 5.0c; and 12-month 940.7c, up 3.5c. The metal opened at 407-408p (887½-889½c) and closed at 408-410p (876-878c).

SILVER per troy oz.	Bullion fixing price	+ or —	L.M.E. close	+ or —
Spot	404.25p	−2.15	409.0p	−0.85
3 months	416.35p	−2.05	421.4p	−1.1
6 months	426.95p	−2.05	—	......
12 months	448.05p	−2.05	—	......

[illegible]

COFFEE

gains of between £24 and £43 from yesterday.

COFFEE	Yesterday's Close £ per tonne	+ or —	Business Done
July	2036-39	+41.5	2061-2020
September	2038-40	+42.5	2050-2016
November	2037-38	+32.0	2054-2025
January	2044-45	+32.5	2063-2035
March	2028-29	+23.0	2050-2020
May	2020-25	+24.5	2040-2025
July	2020-25	+28.0	—

Sales: 7,623 (11,847) lots of 5 tonnes. ICS indicator prices for June 20 (U.S. cents per pound): Other Mild Arabicas 196.42 (193.17); Robustas ICA 1976 193.50 (192.00); ICA 1968 194.00 (192.50); Colombian Mild Arabicas 199.50 (197.00); Unwashed Arabicas 196.00 (195.00). Comp. daily ICA 1968 195.99 (194.20).

GRAINS

Grains opened unchanged to 40p higher on wheat and barley aggressive buying from consumers and some short covering increased values sharply, trade 60p-90p higher at lunch. In the afternoon session some shipper setting eased values slightly but the market closed about steady £90-£100 higher on the day barley saw good volume also in the main volume being in the nearbys and values closed steady at £1.00 higher on the day, Acli reported.

HGCA—Location ex farm spot prices. Feed barley: Hampshire and W. Sussex, 90.00.

The UK monetary coefficient for the week beginning June 25 will remain unchanged.

EEC IMPORT LEVIES—The following levies and premiums are effective for June 22 (in order: current levy, plus July, Aug. and Sept. premiums, with previous in brackets). All in Units of Account per tonne. Common wheat: 72.15, rest nil (76.75, 0.19, 0.19, 0.77). Durum wheat: 127.22, rest nil (131.97, rest nil). Rye: 87.18, rest nil (87.18, rest nil). Barley: 85.34, rest nil (87.02, rest nil). Oats: 88.04, rest nil (91.87, rest nil). Maize (other than hybrid for seeding): 78.76, rest nil (82.59, rest nil). Buckwheat: All nil. Millet: 74.34, rest nil (74.24, rest nil). Grain sorghum: 83.92, rest nil (89.67, rest nil). Flour levies: Wheat or mixed wheat and rye flour: 115.79 (122.24). Rye flour: 136.83 (136.83).

M'nth	WHEAT Yesterday's close	+ or —	BARLEY Yesterday close	+ or —
Sept.	93.25	+0.9	88.00	−1.15
Nov.	96.75	+0.9	91.95	+1.0
Jan.	100.95	+0.95	95.95	+0.95
Mar.	104.35	+1.0	99.35	[illegible]
May	107.75	+1.0	102.75	−0.95

Business done—Wheat: Sept. 93.25-93.50, Nov. 96.75-96.95, Jan. 100.95-[illegible]

[illegible]

SUGAR

Sugar Pref. Comm. Con.	Yesterday's Close	Previous Close	Business Done
	£ per tonne		
Aug.	106.55-06.85	105.50-05.60	106.85-06.00
Oct.	110.25-10.30	108.95-09.00	110.40-09.50
Dec.	114.50-14.55	113.20-13.30	114.85-13.75
March	119.75-19.85	118.45-18.50	120.00-18.50
May	122.20-22.75	121.15-21.25	122.75-22.40
Aug.	126.10-25.50	124.40-24.85	—
Oct.	129.50-30.00	122.15-28.40	—

Sales: 1,330 (1,333) lots of 50 tonnes.

Tate and Lyle ex-refinery price for granulated basis white sugar was £273.50 (same) a tonne for home trade and £166.50 (£168.00) for export.

International Sugar Agreement (U.S. cents per pound fob and stowed Caribbean port): Price for June 20. Daily price 8.13 (7.98); 15-day average 8.00 (7.97).

WHITE SUGAR—Close (in order buyer, seller, business, sales). Sept. 109.00, 109.25, 109.00-108.25, 70; Nov. 112.25, 112.35, 112.25-112.00, 25; Feb. 119.35, 119.60, 119.25-118.75, 30; Apr. 122.35, 122.85, 122.50, 10; July 126.25, 128.00, nil, nil; Sept. 130.00, 133.00, nil, nil; Nov. 133.00, 138.00, nil, nil. Sales: 135 lots.

SOYABEAN MEAL

The market opened with gains of £2 to 2.50 on further concern over Russian crops, reports T. G. Roddick. Stronger sterling tempered gains but fresh buying particularly in nearby position put prices through contract highs. Late in session profit-taking ahead of USDA stock report slightly eased prices.

	Yesterday's Close	+ or —	Business Done
	£ per tonne		
June	132.00-35.8	+2.75	—
August	136.30-36.8	+2.85	137.00-35.50
October	138.30-38.4	+2.85	138.50-37.50
December	138.50-39.7	+1.7	139.50-38.60
February	139.50-39.7	+1.85	140.00-38.70
April	140.10-41.8	+1.75	—
June	140.00-45.5	+2.0	—

Sales: 275 (172) lots of 100 tonnes.

WOOL FUTURES

LONDON GREASY—Close (in order: buyer, seller only). July 218.0, 228.0; Oct. 218.0, 233.0; Dec. 218.0, 238.0; March/May/July/Oct./Dec. 228.0, 238.0.

NEW ZEALAND CROSSBREDS—Close (in order: buyer, seller only). July 187.0, 196.0; Oct. 189.0, 198.0; Dec. 191.0, 200.0; March 191.0, 200.0; May 192.0, 200.0; July 192.0, 200.0; Oct. 193.0, 202.0; Dec. 195.0, 203.0.

SYDNEY GREASY—Close (in order: buyer, seller, business, sales). Micron Contract. July 385.0, 385.5, 385.0-384.5, 52; Oct 395.0, 395.5, 395.5-393.0, 21; Dec. 397.1, 398.0, 397.5-395.5, 38; March 402.5, 403.1, 403.0-402.0, 32; May 404.5, 405.2, 405.0-404.0, 21; July 409.0, 410.0, 410.0-408.0, 22; Oct. 410.0, 416.0, nil, nil; Dec. 414.0, 420.0, nil, nil.

[illegible]

PRICE CHANGES

In tonnes unless otherwise stated.

	June 21 1979	+ or —	Month ago
Metals			
Aluminium	£710/50	......	£710
Free Mkt (cs)	$1515/1555	−40	$1,690/20
Copper			
Cash w'bar	£892.5	−9.5	£926.5
3 mth	£907.75	−9.75	£939.25
Cash Cathode	£865.5	−6.5	£906
3 mth	£887.5	−9	£924.5
Gold troy oz	$282.375	+0.75	$264.825
Lead cash	£633	−21	£652
3 mth	£596.5	−21	£611.5
Nickel	£3225.4	......	£2,728.73
Freemkt(cif)(lb)	270/300c	......	325/75c
Platin'm tr'y oz	£171	......	£171
Free mkt	£204.5	−0.4	£214.85
Quicksilver	$300/32	−4	$325/40
Silver troy oz	404.25p	−2.15	417.8p
3 months	416.35p	−2.05	430p
Tin cash	£8,150	+475	£7,425
3 mths	£7,159.5	+47	£7,182.5
Tungsten	$141.61	......	$135.8
Wolfrm 22.04 cif	$145/51	......	$140/44
Zinc cash	£346	−7.5	£372.5
3 months	£360.5	−6	£384.75
Producers	$845	......	$800
Oils			
Coconut (Phil)	$1,100t	+25	$1,106
Groundnut	‡	......	‡
Linseed Crude	£389	......	£383
Palm Malayan	$674	+4	$656.5
Seeds			
Copra Philip	$720	+5.0	$720r
Soyabean (U.S.)	$341.50	+15.55	$311.5r
Grains			
Barley Futures	£91.95	+1.0	£89.60
Maize			
French No 3 Am	£110.0	......	£110.5
Wheat			
No. 1 Red Spg.	‡		‡
No2HardWint	‡		‡
Eng. Milling †	‡	......	£107.5
Other commodities			
Cocoa ship't	£1,711.5	−0.5	£1,809
Future Sept.	£1,621.5	+5.0	£1,723
CoffeeF'trSep	£2,039.	+42.5	£1,509
Cotton A'index	75.75c	+0.10	74.05c
Rubber kilo	64.50p	−0.25	66p
Sugar (Raw)	£101.0	+1.0	£98
Wooltp's 64s kl	276p	......	280p

* Nominal. † New crop. ‡ Unquoted. p August. r July. s July-Aug. t June-July. u June. w Sept. y Nov. z Indicator. § Buyer.

MEAT/VEGETABLES

[illegible] frozen—New Zealand PL 51.0 to 52.0, PM 50.0 to 51.0. Pork: English, under 100 lb 34.5 to 44.0, 100-120 lb 34.5 to 42.5, 120-160 lb 34.0 to 42.0.

COVENT GARDEN (Prices in sterling per package except where otherwise stated—Imported Produce: Oranges— [illegible]

Italian: Approx. 18/22 lb 1.80-2.00; French: 12 kilos 2.30. Asparagus—Californian: Per pound 0.90-1.00. Melons—Israeli: Yellow 4.30; Spanish: Small trays, green 2.30-3.00. Watermelons—Israeli: 4/8's 3.20-3.30. Gooseberries—Hungarian: Per 5 kilo box 2.40.

English Produce: Potatoes—New crop per pound 0.06, old crop per 25 kg 2.80. Lettuces—Per 12 round 1.50, Cos 1.80. Mushrooms—Per pound 0.40-0.50. Apples—Per pound Bramley 0.04-0.09. Rhubarb—Per pound outdoor 0.03-0.05. Tomatoes—Per 12 lb 3.00-3.20. Cucumbers—Tray 8/18's 2.20-2.80, prepack 3.00. Cauliflowers—12's Kent 3.50, Lincoln 2.00-2.50. Spring Greens—Per crate Kent 1.20-1.30, Primo 1.50. Asparagus—Per pound 0.70-1.00. Celery—Boxes 12/30's 4.80-5.00. Strawberries—Per ½ lb 0.40-0.50. Gooseberries—Per pound 0.15.

AMERICAN MARKETS

NEW YORK, June 21.

AFTER EARLY strength following a weaker U.S. dollar, precious metals sold off to close barely steady on heavy Commission House profit-taking and local selling. Copper closed weak in sympathy with precious metals. Coffee finished limit up bid on Commission House buying, Bache reported.

Cocoa—July 143.50 (144.50), Sept. 148.60 (148.70), Dec. 153.40, March 155.55, May 157.30, July 158.80, Sept. 160.30.

Coffee—"C" Contract—July 201.00 (196.00), Sept. 206.58 (202.77), Dec. 204.28, March 202.40, May 201.64, July 198.50, Sept. 197.76.

Copper—June 85.00 (86.20), July 85.00-85.25 (85.20), Aug. nil, Sept. 86.00-85.20, Dec. 86.00-86.60.

*Gold—June 281.80 (279.80), July 281.80 (280.00), Aug. 284.50, Oct. 289.40, Dec. 294.20, Feb. 298.80, April 303.40, June 308.00, Aug. 312.60, Oct. 317.20, Dec. 321.70, Feb. 326.20, April 330.70.

Cotton—No. 2: July 68.35-68.39 (67.33), October 68.05-68.20 (67.20), Dec. 66.40-66.50, March 66.69-66.75, May 67.50, July 68.00-68.50, October 67.70-68.00, Dec. 66.50-67.50.

*Platinum—June 436.00 (435.00), July 437.40 (433.80), Aug. nil, Oct. 437.70, Jan. 439.80, April 442.20, July 444.90, Oct. 447.60, Jan. 450.20.

Potatoes (round whites)—Nov. 62.7 (65.0), March 72.8 (73.1), April nil, May 92.4.

¶Silver—June 872.8 (868.5), July 874.0 (870.0), Aug. 881.8, Sept. 889.7, Dec. 909.5, Jan. 915.2, March 926.7, May 938.2, July 949.7, Sept 961.2, Dec. 979.0, Jan. 984.8, March 996.0. Handy and Harman spot 874.5 (876.50).

Orange Juice—July 94.75 (95.10), Sept. 93.20 (93.40), Nov. 92.50, Jan. 92.00, March 92.75, May 93.50, July 94.15, Sept. 94.75, Nov. 95.05.

Sugar—No. 11: July 83.2 (82.5), Sept. 85.9 (86.3), October 89.3, Jan. 93.3, March 98.2, May 98.3, July 100.4, Sept. 102.2, October 103.1.

Tin—Spot 720.00 to 760.00 asked (715.00 to 725.00).

CHICAGO, June 21.

Lard—Chicago loose 26.00 (same). New York prime steam not available.

Live Cattle—Aug. 66.40-66.30 (65.90-66.35), Oct. 64.85-64.55 (64.32-64.90), Dec 67.37-67.40, Jan. 68.20 asked, Feb. 69.30-69.35, April 70.35-70.40, June 72.10, Aug. 71.35-71.25 asked, Oct. 70.70.

‡‡Maize—July 307-308 (298¾), Sept. 311½-311 (304¾), Dec. 316½-317, March 324½, May 328½-329, July 329-330.

Pork Bellies—July 40.85-41.00 (41.27-40.92), Aug. 38.50-38.85 (38.75-38.67), Feb. 46.85-46.40, March 46.45, May 47.10 bid, July 47.70 asked, Aug. 40.55 asked.

Plywood—July 202.5-202.0 (198.5), Sept. 206.0-205.0 (203.0), Nov. 202.5-201.5, Jan. 203.4, March 204.5, May 203.5, July 204.0, Sept. 204.0 bid, Nov. 203.7 bid.

Silver—June 881.0-882.0 (871.9), July 881.0-882.0 (871.9), August 885.5-886.0, Oct. 899.0-899.0, Dec. 913.0-914.0, Feb. 925.0, April 936.0, June 947.5, August 959.0, Oct. 970.5, Dec. 982.0, Feb. 994.0, April 100.60, June 101.80, August 103.05, Oct. 104.30, Dec. 105.55, Feb. 106.80, April 108.10.

‖Soyabean Meal—July 227.00-226.00 (223.20), August 225.50-225.00 (223.30), Sept. 224.50, Oct. 225.00-224.50, Dec. 224.00-225.00, Jan. 226.00, March 228.00, May 228.00, July 227.00.

‡Soyabeans—July 827-831 (814), August 828-831 (820), Sept. 822-821, Nov. 814-812, Jan. 823-821, March 833, May 837, July 838.

Soyabean Oil—July 28.24-28.15 (27.57), August 28.33-28.30 (27.73), Sept. 28.35-28.40, Oct. 28.35-28.40, Dec. 28.30-28.34, Jan. 28.30, March 28.40-28.45, May 28.45, July 28.45, August 28.35-28.40.

§Wheat—July 467½-469 (461¼), Sept. 475½-478½ (459½), Dec. 492-491, March 500-500½, May 496-497, July 465-466.

WINNIPEG, June 21. §Rye—July 143.50 bid (139.00 bid), Oct. 141.50 bid (138.30 bid), Dec. 137.80 bid, May 135.50 bid.

§Barley—July 104.80 (105.30 bid), Oct. 102.30 (101.00-101.30), Dec. 100.70, March 100.70 bid, May 101.0 asked.

§Oats—July 105.80 asked (103.30 bid), Oct. 99.10 (99.30 bid), Dec. 98.00 asked, March 96.60 asked, May 96.00 asked.

§Flaxseed—July 353.00 asked (359.40 asked), Oct. 352.00 asked (347.50 asked), Nov. 339.00 bid, Dec. 332.50 asked, May 346.50 bid.

§Wheat—SCV/RS 13.5 per cent protein content cif St. Lawrence 243.95 (227.95).

All cents per pound ex-warehouse unless otherwise stated. * $ per troy ounce. ¶ Cents per troy ounce. ‡‡ Cents per 56-lb bushel. † Cents per 60-lb bushel. ‖ $ per short ton (2,000 lbs). § $Can. per metric ton. §§ $ per 1,000 sq feet. ‡ Cents per dozen.

EUROPEAN MARKETS

ROTTERDAM, June 21.

Wheat—U.S. No. 2 Dark Hard Winter wheat, 13.5 per cent, July $201. U.S. Hard Winter wheat, ordinary, unquoted. U.S. No. 2 Red Winter wheat June $198, July $198, Aug. $196, Sept. $198, Oct. $203. U.S. No. 2 Northern Spring wheat, 14 per cent, June $205, July $202, Aug. $200, Sept $200, Oct. $206, Nov. $209.

Maize—U.S. No. 3 Corn Yellow June $147, July $147/147.25, Aug. $148/148.50/149, Sept. $149.50/149.75, Oct./Dec. $152/152.50 traded, June $147.50, July $148, Aug. $149.50, Sept. $150, Oct./Dec. $153, Jan./March $159 sellers.

Soyabeans—U.S. Two Yellow Gulfports July $335.50, Aug./Sept. $337.50, Oct $328.25, Nov. $327.50, Dec. $332.75 sellers, Jan. $335.50/335.60 paid, Feb. $340 seller, March $341 paid, April $345, May $346 sellers. Brazil Yellow FAQ unquoted. Argentine June $322.50 buyer, July $324 paid/buyer.

Soyameal—44 per cent protein U.S. afloat $270, June $270, July $272, July/Sept. $274, Nov./March $278. Brazil pellets July $273/274 traded, afloat $274, June $272, July $275, Aug. $277, Sept. $279 sellers.

PARIS, June 21.

Cocoa—(FFr per 100 kg). July 1,450-1,430, Sept. 1,500-1,505, Dec. 1,527-1,535, March 1,527-1,550, May 1,530-1,555, July 1,530-1,560. Sales at call, one.

SUGAR—(FFr per 100 kg). Aug. 956-964, Oct. 1,000-1,004, Nov. 1,000-1,006, Dec. 1,040-1,054, March 1,090-1,100, May 1,105-1,115, July 1,120-1,140, Aug. 1,145-1,160. Sales at call, seven.

INDICES

FINANCIAL TIMES

June 21	June 20	M'nth ago	Year ago
303.85	300.53	281.04	246.64

(Base: July 1, 1952=100)

MOODY'S

June 21	June 20	M'nth ago	Year ago
1107.9	1096.0	1059.5	919.9

(December 31, 1931=100)

DOW JONES

Dow Jones	June 21	June 20	Month ago	Year ago
Spot	424.38	417.96	388.08	365.56
F'tur's	436.15	430.40	394.02	352.86

(Average 1924-25-26=100)

REUTERS

June 21	June 20	M'nth ago	Year ago
1632.7	1629.6	1582.8	1495.1

(Base: September 18, 1931=100)

Industry profits warning and continuing rise in pound depresses market and equity index falls 10.2 to 474.9

Account Dealing Dates
Option

*First Dealings	Declarations	Last Dealings	Account Day
June 4	June 14	June 15	June 26
June 18	June 28	June 29	July 10
July 2	July 12	July 13	July 24

* "New time" dealings may take place from 9.30 am two business days earlier.

The Bank of England's warning in its quarterly bulletin of a continuing squeeze on company earnings, underlined by the Central Statistical Office figures of British industry's sharply lower profits in the first three months of the year, set the seal on a thoroughly depressed equity market yesterday.

Major exporting concerns passed an especially gloomy session because of the effects a strong exchange rate—sterling improved further yesterday—is having on overseas earnings. Fairly sizeable selling was encountered soon after the opening and selected leading shares such as GEC, Metal Box, ICI and Beecham ended the day with falls of 10 or more. Although selling abated as the day wore on, the almost complete absence of support left leading shares at the day's lowest and the FT 30-share index closed 10.2 lower at 474.9.

Among the sectors, fears about overseas earnings were particularly marked in Insurances which recorded losses extending to 14, but the prospects of increased revenues following further pressure to raise crude oil prices stimulated fresh demand for Oil shares, particularly those with North Sea interests. Elsewhere, a fairly lengthy list of company trading statements created selective interest, but overall conditions were rather quiet.

Sterling's heady advance failed to impress the market in Gilt-edged securities and the undertone was soft. Disappointment was voiced with yesterday's application for the new two tap stocks, totalling £1.8bn, and when dealings begin today the longer of the two, **Exchequer 12¼ per cent "A" 1999**, could be on offer at par in £15-paid form. Overseas investors were believed to have subscribed to the shorter issue, Treasury 12 per cent 1984, but not on any major scale, and it will probably start at £50, the amount payable on application. Closing losses ranged from 1/16 in the shorts to ¼ in the longs with the easiness continuing in a sparse after-hours' trade.

Routine selling in a market lacking buying interest and the further strong tone in sterling brought a reaction in rates for investment currency, the premium closing nearly two points down on the day at 39¾ per cent. Yesterday's SE conversion factor was 0.8646 (0.8685).

The market in Traded options remained in a quiet mood and only 400 contracts were completed. This was slightly above Wednesday's 377, but well below last week's average of 1,054. BP attracted most interest with 87 trades, while GEC were also in demand, recording 66 contracts.

Irish Banks lower

The announcement that bank lending rates in Eire will be increased by between 1½ and 2½ per cent from Monday had an adverse effect on Irish banks. **Bank of Ireland** lost 15 to 335p, after 330p, and **Allied Irish** softened 3 to 180p. Home issues moved lower on persistent small selling induced by adverse comment. **NatWest** closed 8 down at 345p, after 342p, while **Barclays** and **Midland** ended similarly cheaper at 440p and 400p respectively. **Lloyds** gave up 3 to 320p, after 316p. Elsewhere, *Hill Samuel came on offer*, finishing 2 off at 105p; the Warrants were 50 lower at 250p.

Closing falls in Insurances ranged to 14 as fears increased about the effect a strong pound is having on overseas earnings. Among brokers, **Minet** eased 6 to 129p, **C. E. Heath** gave up 5 at 135p and **C. T. Bowring** lost 4 to 112p. Elsewhere, **Royals** lost 14 to 335p and **Sun Alliance** slipped 10 to 526p, while **General Accident**, 214p, and **GRE**, 226p, lost 6 apiece.

Breweries and Distilleries closed a penny or two easier mainly owing to lack of investment support. **Whitbread** shed 3 to 122p. Among regional issues, consideration given to Wednesday's annual results lifted **Mansfield** 5 to 360p. **Irish Distillers**, up to 206p in the early trading, reacted to 199p for a net loss of 5 on the rise in Irish interest rates.

Buildings reacted on a marked absence of support and **Blue Circle** ended 6 down at 284p, while **RMC** lost 4 to 136p and **Tarmac** 4 to 175p. Elsewhere, comment on the annual results left **Burnett and Hallamshire** 8 cheaper at 360p and profit-taking trimmed 5 from **Brown and Jackson**, at 255p. Sporadic selling clipped 13 from **Vibroplant**, at 215p, and 3½ from speculative counter **Mallinson-Denny**, at 65p. Trading statements, however, prompted a couple of bright *spots in* **Westbrick Products**, which firmed 2 to 63p in response to the satisfactory annual profits, and in **Tunnel "B,"** up 6 at 278p following the preliminary results.

Worries about the effects sterling is having on overseas earnings made for dull conditions in leading Chemicals where **ICI** shed 10 to 354p and **Fisons** eased 6 to 254p.

Woolworth up late

Stores were featured by a late flurry of speculative interest in **F. W. Woolworth**, which closed 3 to the good at 80p; recently there have been suggestions that its American parent company would sell its near 53 per cent stake in the group to a potential suitor. Recent bid favourite, **House of Fraser**, softened 2 to 192p on the announcement of a proposed 20 per cent scrip-issue, while similar falls of a similar nature were sustained by **Marks and Spencer**, 112p, and **UDS**, 95p. **MFI Furniture**, however, continued firmly, closing 2 harder at 152p, after 156p.

Leading Electricals succumbed to the dull trend. **GEC** were particulary vulnerable on concern about its overseas earnings potential in the wake of sterling's fresh rise and the *close was 13 lower at 353p.* **Thorn** lost 7 to 422p and **EMI** receded 4 to 94p. Sharply higher preliminary profits and a nearly doubled dividend together with a proposed 100 per cent scrip-issue failed to excite **Racal**, which otuched 460p immediately following the news before closing unchanged on balance at 462p. Comment on the disappointing results prompted a reaction of 20 to 390p in **Ferranti**.

With the exception of **Tubes**, down 9 at 369p, falls in the Engineering leaders were relatively modest. Elsewhere, **British Aluminium** encountered scattered offerings and gave up 13 at 230p, while selling was also evident of **Pegler Hattersley**, 6 cheaper at 150p. **B. Elliott**, a good market recently ahead of next Wednesday's preliminary results, ran back 4 to 234p. Smaller-priced issues to give ground included **Record Ridgway**, 37p, and **West Bromwich Spring** 23p, both down 2. Good annual results accompanied by a one-for-five scrip issue stimulated buying interest in **British Steam Specialties**, 7 up at 116p, while **Baker Perkins**, a penny better at 161p, and **Butterfield Harvey**, a similar amount dearer at 76p, also responded to satisfactory trading statements.

In quietly dull Foods, **Cadbury Schweppes** eased 1½ to 60p and **Rowntree** shed 4 to 196p, **Associated Dairies** and **J. Sainsbury** both gave up around 6 to 263p and 330 respectively, while consideration of the results left **Tate and Lyle** 7 cheaper at 145p. In secondary issues, **Avana** provided a notable firm spot rising 6 to 101p, after 105p, on speculative buying following a resurgence of bid rumours.

Hotels and Caterers mirrored the dull trend with **Grand Metropolitan**, 131p, and **Trusthouse Forte**, 160p, easing 5 and 4 respectively. **Prince of Wales**, however, attracted a small interest and improved 4 to 97p.

Misc. leaders dull

The Bank of England's gloomy projections about company profits in its quarterly Bulletin induced selling of the miscellaneous industrial leaders which lost ground from the start. Major exporters were additionally *depressed by concern about the* effect of the exchange rate on earnings and closing falls were fairly sizeable. **Glaxo** led the retreat with a fall of 13 to a 1979 low of 450p, while **Metal Box** declined 10 to 284p as did **Bank Organisation** to 218p. **Beecham** lost 8 to 525p, after 523p, **Unilever** cheapened 6 to 582, and **Reed International** gave up 7 to 161p. Elsewhere, **Maynards** gained 6 to 146p following renewed speculative buying in a thin market and **Wilkinson Match** improved 5 to 175p in response to the sharply increased annual earnings. Reflecting its North Sea oil interests, **Cawoods** added 6 further to 208p and **Jacksons Bourne End** gained 5 to 165p in belated response to news of a large shareholding changing hands. **Lonsdale Universal** edged forward a penny to 79p after the interim results, while **Diploma Investments** firmed 5 to 292p on further consideration of the company's dividend potential.

Most sectors in the Motor market drifted easier in quiet business, although the odd firm spot was apparent. **Heron**, which recently dropped out of London's South Bank development, found speculative support and rose 6½ to 56p, after 58p, while **Henlys**, at 109p, recovered 3 of Wednesday's fall of 8 which followed the disappointing interim statement. **ERF**, on the other hand, *succumbed to revived selling pressure* and fell 7 to 112p. Components closed with falls to 7 with **Dowty** losing 5 to 318p, and **Associated Engineering** a couple of pence to 84p. The lower interim profits from **Bluemel Bros.** came as no surprise and the shares eased only slightly to 65½p.

Leading Properties declined in the wake of persistent small selling with **Land Securities** losing 5 to 280p and **British Land** shedding 2½ to 67p. Despite news that Costain had increased its stake in the company to 8 per cent, **Capital and Counties** eased 2 to 85p. **Great Portland Estates** and **Haslemere** shed 4 apiece to 300p and 292p respectively, while **Hammerson A** cheapened 10 to 810p. By contrast, certain secondary issues attracted a little support. **Daejan** picked up 4 to 148p and **Carrington Investments** 3 to 140p.

BP good

Hopes of increased revenue continued to stimulate demand for **British Petroleum** which moved up 20 to 1182p. **Shell** edged forward 8 to 374p. Among secondary issues, **Tricentrol** firmed 8 to 240p on steady buying, while Press comment highlighting bid possibilities directed attention towards **Lasmo** issues, the Ordinary put on 8 to 256p and the OPS advanced 25 to 800p, after 805p. Against the trend, **Siebens UK** encountered a little selling and shed 6 to 224p, after 220p, while **Century** dropped 7 to 79p following the announcement of a £1.3m rights issue. Elsewhere, *Australian influences* prompted marked firmness in **Weeks Natural Resources** which put on 20 to 150p.

Despite interim profits in excess of market estimates, **S. and W. Berisford** fell 9 to 193p following the company's vague comments concerning future dividend policy.

Among Trusts, **New Throgmorton Warrants** fell 6 to 58p, while Shippings again displayed a mixed appearance. **P & O Deferred** eased 2 more to 93p, but **Milford Docks** improved 5 to 180p, reflecting satisfaction with Wednesday's second interim dividend.

Courtaulds gave up 4 at 93p in line with the general market trend. Elsewhere among Textiles, **Sirdar** fell a similar amount to 106p.

Golds easier

Modest profit-taking coupled with a decline in the investment currency premium left South African Golds showing minor falls, despite the continuing steadiness of the bullion price.

The Gold Mines index gave up 2.4 to 186.8 and the ex-premium index 2.8 to 161.5.

Prices tended to drift from the outset but towards the close they began to pick up a shade reflecting late Continental and American buying interest.

Among the heavyweights **Randfontein** dropped almost a point to £27, but **West Driefontein** rallied from £26⅝ to close unchanged on balance at £26⅞.

The lower premium affected South African Financials where **Anglo American**, 336p, and **Union Corporation**, 404p, were both 6 easier and **Gold Fields of South Africa** *¼ down at £19¾*.

London Financials weakened in line with the UK equity market. **Gold Fields** dipped 8 to 232p. **Rio Tinto-Zinc** 7 to 291p and **Selection Trust** 6 to 534p.

Rhodesians continued to move ahead on hopes that the UK Government will recognise the new Government. **Falcon Mines** put on 5 to 300p and **Wankie Colliery** another 3 to 65p.

Australians edged higher in line with overnight domestic markets despite the general strike there and the continuing labour unrest in the Pilbara.

The Rundle oil-shale partners came in for renewed Australian and London buying reflecting hopes of a deal with a major U.S. company to develop its massive oil shale deposits. **Central Pacific** jumped 95 to 720p and **Southern Pacific** 35 to 275p.

FINANCIAL TIMES STOCK INDICES

—	June 21	June 20	June 19	June 18	June 15	June 14	A year ago
Government Secs.	70.76	70.88	70.86	70.50	70.24	70.44	69.89
Fixed Interest	72.61	72.61	72.74	72.44	72.38	72.44	71.93
Industrial	474.9	485.1	486.6	482.9	478.5	474.2	459.9
Gold Mines	186.8	189.2	183.9	186.2	179.0	177.2	161.0
Gold Mines (Ex-$ pm)	161.5	164.3	161.9	164.5	159.5	158.1	107.3
Ord. Div. Yield	5.97	5.87	6.07	6.11	6.17	6.21	5.84
Earnings, Yld. % (full)	16.26	16.01	15.98	16.08	15.83	16.34	15.82
P/E Ratio (net) (*)	7.85	7.97	7.99	7.95	7.87	7.82	7.94
Total bargains	14,147	14,770	15,461	16,842	20,896	20,375	—
Equity turnover £m	—	65.88	68.83	74.89	113.67	104.57	86.58
Equity bargains total	—	10,948	10,852	13,517	16,199	16,298	14,818

10 am 481.2. 11 am 478.5. Noon 477.2. 1 pm 476.8. 2 pm 476.1. 3 pm 476.1.

Latest Index 01-246 8026.

* Nil=7.54.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Industrial Ord. 1/7/35. Gold Mines 12/9/55. Ex premium index started June, 1972. SE Activity July-Dec. 1942.

HIGHS AND LOWS

—	1979 High	1979 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	75.91 (4/5)	64.64 (8/2)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	77.76 (5/5)	66.03 (13/2)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	558.6 (4/5)	446.1 (12/2)	558.6 (4/5/79)	49.4 (26/6/40)
Gold Mines	208.4 (6/6)	129.9 (17/4)	442.3 (22/5/75)	43.5 (26/10/71)
Gold Mines (Ex-$ pm)	169.5 (6/6)	95.2 (2/11)	337.1 (3/4/74)	54.3 (25/6/75)

S.E. ACTIVITY

	June 21	June 20
—Daily		
Gilt Edged	115.6	96.[illegible]
Industrials	128.0	109.[illegible]
Speculative	21.7	21.[illegible]
Totals	81.7	70.[illegible]
5-d'y Av'r'ge		
Gilt Edged	109.7	110.[illegible]
Industrials	136.2	144.[illegible]
Speculative	30.0	31.[illegible]
Totals	85.9	90.[illegible]

LONDON TRADED OPTIONS

Option	Ex'r'se price	July Closing offer	July Vol.	Oct. Closing offer	Oct. Vol.	Jan. Closing offer	Jan. Vol.	Equity close
BP	1050	168	—	175	12	—	—	1180p
BP	1100	108	8	134	—	204	1	"
BP	1300	9	7	48	—	108	69	"
Com. Union	160	5	10	5	—	10	—	145p
Cons. Gold	240	6	2	20	—	24	—	234p
Cons. Gold	260	3	—	11	8	15	—	"
Courtaulds	90	6	—	13	—	15	7	96p
Courtaulds	100	3	2	8	—	10½	50	"
Courtaulds	110	1	—	4	—	6	5	"
GEC	330	33	2	49	—	—	—	355p
GEC	360	15	27	31	20	47	—	"
GEC	390	4	10	17	—	32	—	"
GEC	460	¼	—	5	2	14	6	"
Grand Met.	115	18	1	20	—	—	—	132p
Grand Met.	125	9	—	14	9	—	—	"
Grand Met.	150	2	—	5½	—	10½	20	"
ICI	360	10	6	25	9	34	—	356p
ICI	390	2½	14	9	5	20	—	"
Land Secs.	300	3	10	13	—	24	—	278p
Marks & Sp.	120	4	—	9	5	13	—	113p
Marks & Sp.	130	1	1	4	—	10	—	"
Shell	325	54	2	61	—	—	—	372p
Shell	375	19	7	32	—	44	6	"
Shell	400	7	—	20	7	33	4	"
Totals			109		75		136	
		August		November		February		
BOC Intl.	70	8	35	10½	—	13	—	74p
EMI	90	14	2	19	5	25	5	95p
EMI	100	10	18	14	—	20	—	"
EMI	120	4	—	7	—	12	10	"
RTZ	300	17	—	27	—	37	1	292p
Totals			55		3		22	

NEW HIGHS AND LOWS FOR 1979

The following securities quoted in the Share Information Service yesterday attained new Highs and Lows for 1979.

NEW HIGHS (11)

DRAPERY & STORES (1): MFI Furniture
ENGINEERING (2): Bevan (D. F.), British Steam
INDUSTRIALS (2): Grovebell, Lep Group
PROPERTY (1): Carrington Inv.
SHIPPING (1): Lon. & O'seas. Frghts.
OILS (1): Gas & Oil Acreage
MINES (1): Wankie Colliery

NEW LOWS (88)

AMERICANS (10): Chrysler, Owens Illinois, First Chicago, Shell Oil, Gillette, Sperry Rand, Hutton (E. F.), Time Inc., I.B.M.
BANKS (1): Bank of Ireland
BUILDINGS (3): Brownlee
CHEMICALS (1): Hoechst
ELECTRICALS (3): PSR, Decca, EMI
ENGINEERING (9): Amal. Power, Record Ridgway, Birmid Qualcast, Stone-Platt, Brickhouse Dudley, Weirs Assoc., Camford Eng., Woodhouse & Rixson, Martonair
HOTELS (1): Comfort Intl.
INDUSTRIALS (14): Beecham, Kershaw (A.), Black Arrow, Metal Box, Bowater, Crest (J.), Glaxo, Viners, Jardine Matheson, Wilson Walton
INSURANCE (2): Heath (C. E.), Howden (A.)
LEISURE (1): Saga Holidays
MOTORS (2): Lotus Car, Assoc. Eng.
TEXTILES (3): Sidlaw Inds., Toray
TRUSTS (8): Drayton Premier, Sec. Great Northern, Scottish Eastern Inv., Scot. Mort. & Trust, Scottish Western
OVERSEAS TRADERS (1): Steel Bros.

RISES AND FALLS YESTERDAY

	Up	Down	Same
British Funds	[illegible]	[illegible]	[illegible]
Corpns. Dom. and Foreign Bonds	[illegible]	[illegible]	[illegible]
Industrials	[illegible]	[illegible]	[illegible]
Financial and Prop.	[illegible]	[illegible]	[illegible]
Oils	26	3	[illegible]
Plantation	4	5	[illegible]
Mines	29	82	[illegible]
Others	33	56	[illegible]
Totals	288	783	1,[illegible]

APPOINTMENTS

Senior executive changes at Stone-Platt Industries

Mr. E. G. Smalley has been appointed deputy chairman of STONE-PLATT INDUSTRIES from July 1 and will continue as chief executive. He will become chairman when Sir Geoffrey Hawkings retires next year. Mr. R. F. Tavener, at present chairman of the electrical division, has been made managing director and will succeed Mr. Smalley as chief executive in 1980. He will be responsible for the management of the company, with the exception of the textile machinery divisions. Mr. G. G. Buckley, formerly chairman of Platt Saco Lowell, has left the company for personal reasons. In the interim Mr. Smalley will assume responsibility to the board for the Platt Saco Lowell and Scragg Divisions. Mr. J. B. McGrath, who is finance director, has been made chairman designate of the electrical division and will take over full responsibility for that division as soon as a new finance director has been appointed.

★

Mr. Max Litvine, the senior director of Compagnie Bruxelles Lambert, and Mr. Juan de Madariaga, manager of the Madrid office of Drexel Burnham Lambert, have joined the Board of MACLAINE, WATSON AND CO. as non-executive directors.

★

Mr. Francis Cator, and Mr. C. D. Pike have been appointed non-executive directors of HEPWORTH CERAMIC HOLDINGS and Mr. J. D. Eastwod has become an executive director. Mr. Cator is vice chairman of J. Henry Schroder Wagge and Co., Mr. Pike chairman and managing director of Watts Blake, Bearne, and Mr. J. D. Eastwood, managing director of the Hepworth Iron Company (Holdings).

★

Mr. Clive Leach has been appointed to the Board of TRIDENT TELEVISION.

★

Mr. Joe Prior, chief buyer of GEORGE PAYNE AND COMPANY, retires this year and will be succeeded by Mr. Michael Mullins, who will be responsible for the coffee department, and Mr. Graham Owen for all raw materials.

★

The TANDY CORPORATION has made the following changes in UK management. Mr. Robert D. Bourland Jnr., former managing director in the UK, is returning to the U.S. as divisional vice-*president of Radio Shack.* Mr. James T. Nichols becomes managing director in UK. Mr. Alastair MacGillivray has been made assistant managing director and Mr. John Sayers, national sales director.

★

Mr. M. J. Ibbotson, an economic adviser in the Ministry of Agriculture, Fisheries and Food, is being loaned to the Diplomatic Service on appointment as First Secretary (Agriculture) on the staff of the UK Ambassador in Rome. He will take up his new position on June 25 in succession to Mr. P. Scola, who will be returning on completion of his tour of duty.

★

Mr. W. R. Pickering has been appointed managing director of GARDNER-DENVER HOLDINGS (UK) and chairman of Padley and Venables and of Bedford Steels. He has previously held positions in Hopkinsons Holdings and Tube Investments.

★

Mr. Tom Lynchy has been appointed group manufacturing director of CRANE FRUEHAUF, a subsidiary of the Freuhauf Corporation of America. He was formerly general manager of the Murex division of BOC.

★

Mr. George Chapman has been appointed managing director of DORADA BAKER EAST.

★

Mr. Richard Haslett has been appointed production director of RUNNYMEDE RUBBER COMPANY, a division of Harefield Rubber Company.

★

Mr. S. Eric Toms, head of finance and accounting at STONE AND WEBSTER ENGINEERING, has been appointed to the Board as director, financial services.

★

Mr. D. M. Price, a director and general manager of R. A. Lister Australia Pty., a Hawker Siddeley company, has been appointed a director of HAWKER SIDDELEY AUSTRALIA PTY.

★

Mr. Peter Wellard has been appointed finance director and company secretary of the GLOBAL MEAT COMPANY.

★

Mr. Paul B. Harding is to join the Board of TANGENT INDUSTRIES as director in charge of finance from July 1.

★

Mr. Barrie P. Webb has been appointed chairman and chief executive of R. P. SCHERER LIMITED in the UK.

★

Mr. M. W. H. McKay has been appointed managing director of Boythorpe Cropstores and Boythorpe Farm Systems, members of the GASCOIGNE GROUP. He takes over from Dr. I. J. Cooke, who has left the group. Mr. H. Brown becomes marketing manager livestock equipment division and joins the Boards of the Boythorpe companies and those of the division's overseas subsidiaries in France, Germany and Denmark.

★

Mr. L. C. Turner has been appointed a director of C. E. HEATH AND CO. (UK) and Mr. C. R. Spurgeon has been made a director of C. E. HEATH AND CO. (LONDON).

★

Mr. Colin Daniel has been appointed deputy managing director (finance) of ACROW. He was previously director of finance and systems for BL Cars.

★

Mr. Eric Gamble, formerly an associate director of GREEN SHIELD, has been appointed sales director, and Mr. Alan Martin, company secretary, has become finance director.

FOOD PRICE MOVEMENTS

	June 21 £	Week ago £	Month ago £
BACON			
Danish A.1 per ton	1.150	1,150	1,150
British A.1 per ton	1,095	1,095	1,065
Ulster A.1 per ton§	1,095	1,095	1,065
BUTTER			
NZ per 20 kg	14.22/14.37	13.22/14.37	14.11/14.24
English per cwt†	81.65	81.65	81.65/82.07
Danish salted per cwt†	85.10/87.85	85.10/87.85	85.10/87.85
CHEESE¶			
NZ per tonne	—	—	—
English cheddar trad. per tonne	—	1,510	—
EGGS*			
Home produced:			
Size 4	3.20/3.30	2.95/3.10	2.90/3.20
Size 2	3.50/4.20	3.40/3.60	3.40/3.60
	June 21 p	**Week ago p**	**Month ago p**
BEEF			
Scottish killed sides ex-KKCF	64.0/68.0	65.0/69.0	58.0/62.0
Eire forequarters	41.0/43.0	42.0/44.0	—
LAMB			
English	66.0/76.0	70.0/74.0	78.0/80.0
NZ PLs/PMs	50.0/52.0	51.0/52.5	51.0/52.0
PORK			
All weights	34.0/44.0	34.0/44.0	34.0/45.0
POULTRY			
Oven-ready chickens	41.0/44.0	41.0/44.0	40.0/43.0

* London Egg Exchange price per 120 eggs. † Delivered. ‡ Unavailable. ¶ For delivery June 23-30.

OPTIONS

DEALING DATES

First Dealings	Last Dealings	Last Declaration	For Settlement
Jun. 12	Jun. 25	Sep. 6	Sep. 18
Jun. 26	July 9	Sep. 20	Oct. 2
July 10	July 23	Oct. 4	Oct. 16

For rate indications see end of Share Information Service

In quiet Option market conditions money was given for the call of UK Properties, Spillers, MFI, EMI, British Land, Ratners, GKN, Westland Aircraft, Premier Oil, Avana, S. and U. Stores and Status Discount. No puts were reported, but double options were transacted in New Throgmorton Warrants, John Michael, Winn Inds., BOC, Elsburg Gold, Burmah, Baker Perkins, Rotaprint and Westland Aircraft.

ACTIVE STOCKS

Stock	Denomination	No. of marks	Closing price (p)	Change on day	1979 high	1979 low
ICI	£1	12	354	−10	415	346
GEC	25p	9	353	−13	456	311
NatWest	£1	9	345	− 8	406	278
BAT Inds.	25p	8	276	− 4	362	263
Barclays Bank	£1	8	440	− 8	514	360
BP	£1	8	1182	+20	1246	882
Grand Met. 'New'	nil/pd.	8	6pm	− 1½	16pm	6pm
Beecham	25p	7	525	− 8	755+	523
Bowater	£1	7	170	− 3	209	170
LASMO	25p	7	256	+ 8	256	124
MFI Furniture	10p	7	152	+ 2	156	54
Marks & Spencer	25p	7	112	− 2	134	83
Racal Electronics	25p	7	462		495	237
RTZ	25p	7	291	− 7	362	226
Royal Insurance	25p	7	335	−14	443	325

RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid Up	Latest Renunc. Date	1979 High	1979 Low	Stock	Closing Price p	+ or −	Net Div.	Times Covered	Gross Yield	P/E Ratio
60	F.P.	11/7	[illegible]	[illegible]	B & Q (Retail) 5p	[illegible]	[illegible]	2.46	3.8	2.9	17.9
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Fulcrum Inv. Income	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Do. Capital	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Rock Darham	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Rockwell Intl. Corp.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price	Amount Paid Up	Latest Renunc. Date	1979 High	1979 Low	Stock	Closing Price	+ or −
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	How'rd Wyndh'm 9% Cnv. Cum. Red. Prf.	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Kwik-Fit (Tyres) 9% Cnv. Ln. 1979-85	[illegible]	[illegible]
[illegible]	Nil	[illegible]	[illegible]	[illegible]	Marsh'll's Univ's'l 7½% Cnv. Cum. Red. Prf.	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Portsmouth Water 8% Red. Prf. 1984	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Slough Est. 8½% Cnv. 1991-94	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	York Water 12% Deb 1986	[illegible]	[illegible]

"RIGHTS" OFFERS

Issue Price p	Amount Paid Up	Latest Renunc. Date	1979 High	1979 Low	Stock	Closing Price p	+ or −
36	Nil	[illegible]	[illegible]	[illegible]	Causton (Sir J.)	[illegible]	[illegible]
52½	Nil	[illegible]	[illegible]	[illegible]	Combined English Stores	[illegible]	[illegible]
25	Nil	[illegible]	[illegible]	[illegible]	Grand Metropolitan	[illegible]	[illegible]
126	Nil	[illegible]	[illegible]	[illegible]	Hampton Trust	[illegible]	[illegible]
12	[illegible]	[illegible]	[illegible]	[illegible]	Ioll. Timber	[illegible]	[illegible]
110	Nil	[illegible]	[illegible]	[illegible]	IMEPC	[illegible]	[illegible]
154	F.P.	[illegible]	[illegible]	[illegible]	P.M.A. Holdings	[illegible]	[illegible]
85	Nil	[illegible]	[illegible]	[illegible]	Peterson Tennant	[illegible]	[illegible]
210	Nil	[illegible]	[illegible]	[illegible]	Provincial Laundries	[illegible]	[illegible]
20	Nil	[illegible]	[illegible]	[illegible]	Pullman (R. & J.)	[illegible]	[illegible]
118	Nil	[illegible]	[illegible]	[illegible]	Scotcros	[illegible]	[illegible]
60	Nil	[illegible]	[illegible]	[illegible]	Scot. Met. Prop.	[illegible]	[illegible]
115	F.P.	[illegible]	[illegible]	[illegible]	Simon Engineering	[illegible]	[illegible]
265	Nil	[illegible]	[illegible]	[illegible]	Smurfit Jefferson	[illegible]	[illegible]
[illegible]	Nil	[illegible]	[illegible]	[illegible]	Standard Chartered Bank	[illegible]	[illegible]
455	F.P.	[illegible]	[illegible]	[illegible]	Tilling (Thomas)	[illegible]	[illegible]
158	F.P.	[illegible]	[illegible]	[illegible]	Tricentrol	[illegible]	[illegible]
175	F.P.	[illegible]	[illegible]	[illegible]	UDS	[illegible]	[illegible]
93	F.P.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
20	F.P.	[illegible]	[illegible]	[illegible]	Weeks Associates	[illegible]	[illegible]

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimate. g Assumed dividend and yield. u Forecast dividend: cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1979. Q Gross. T Figures assumed. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price to public. pt Pence unless otherwise indicated. ¶ Issued by tender. || Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or takeover. |||| Introduction. □ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ★ With warrants. †† Unlisted security. ‡‡ Issued as units comprising 2 income shares and 10 Capital shares at 125p per unit.

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS

Figures in parentheses show number of stocks per section

		Thurs., June 21, 1979 Index No.	Day's Change %	Est. Earnings Yield % (Max.)	Gross Div. Yield % (ACT at 30%)	Est. P/E Ratio (Net)	Wed., June 20 Index No.	Tues., June 19 Index No.	Mon., June 18 Index No.	Fri., June 15 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (172)	244.08	−1.5	17.41	5.46	7.52	247.89	249.18	246.84	247.08	280.
2	Building Materials (27)	226.51	−1.6	17.69	5.53	7.54	230.12	231.50	229.19	231.22	187.
3	Contracting, Construction (28)	362.84	−0.8	24.79	5.71	5.08	365.61	366.34	362.03	362.90	333.
4	Electricals (14)	574.03	−2.8	13.44	3.23	10.25	590.64	595.95	592.13	588.36	439.
5	Engineering Contractors (12)	365.41	−0.8	19.03	6.28	6.46	368.33	365.65	362.90	366.09	309.
6	Mechanical Engineering (75)	186.66	−0.8	17.69	5.99	7.34	188.21	189.73	187.66	187.31	167.
8	Metals and Metal Forming (16)	168.25	−1.0	19.19	8.89	6.53	169.93	169.26	167.36	168.84	160.
	CONSUMER GOODS										
11	(DURABLE) (52)	231.63	−1.0	14.98	4.55	8.81	233.89	233.48	230.63	230.97	193.
12	Lt. Electronics, Radio, TV (16)	315.10	−0.8	11.73	3.24	12.01	317.77	316.45	312.31	314.46	227.
13	Household Goods (12)	161.94	−0.4	17.26	6.93	7.76	162.66	162.59	162.05	163.19	174.
14	Motors and Distributors (24)	119.18	−1.4	21.72	6.96	5.64	120.83	121.23	119.68	118.36	121.
	CONSUMER GOODS										
21	(NON-DURABLE) (171)	235.40	−1.3	16.07	5.54	7.90	238.48	238.34	235.24	234.21	194.
22	Breweries (14)	270.79	−1.5	15.04	5.46	7.96	275.02	276.07	272.24	271.67	219.
23	Wines and Spirits (6)	302.91	−0.9	15.51	4.76	9.40	305.72	304.91	307.74	305.03	246.
24	Entertainment, Catering (17)	302.34	−2.5	16.45	6.67	8.01	310.07	308.21	307.22	304.65	244.
25	Food Manufacturing (19)	215.69	−1.1	18.32	5.07	6.79	218.05	218.04	215.75	216.38	192.
26	Food Retailing (15)	293.76	−1.1	11.94	4.05	10.40	297.14	297.52	293.28	292.65	197.
32	Newspapers, Publishing (12)	431.54	−0.6	22.02	5.84	6.44	433.99	427.27	419.14	423.84	356.
33	Packaging and Paper (15)	129.82	−2.3	21.89	8.22	5.92	132.86	133.64	131.64	134.07	133.
34	Stores (41)	239.64	−0.9	11.79	4.08	11.40	241.74	242.10	237.62	235.16	174.
35	Textiles (23)	165.30	−1.9	21.77	9.11	5.88	168.52	168.40	166.64	165.13	171.
36	Tobaccos (3)	241.26	−1.2	23.54	8.17	4.88	244.23	241.75	237.69	236.11	242.
37	Toys and Games (6)	75.59	—	29.94	8.60	4.01	75.59	76.22	73.84	73.15	104.
41	OTHER GROUPS (99)	203.28	−1.5	15.64	6.04	7.93	206.46	206.22	203.98	203.20	191.
42	Chemicals (18)	286.94	−2.1	17.68	6.58	6.60	293.22	292.19	289.31	285.30	273.
43	Pharmaceutical Products (7)	217.30	−1.6	12.65	5.03	9.85	220.93	220.66	219.88	218.46	249.
44	Office Equipment (6)	121.07	−3.7	16.93	6.49	7.45	125.69	124.89	123.21	122.49	128.
45	Shipping (10)	460.11	−1.0	10.12	6.52	13.22	464.80	467.47	457.62	461.26	434.
46	Miscellaneous (58)	242.04	−0.6	16.02	5.86	8.12	243.61	243.78	240.61	241.78	198.
49	INDUSTRIAL GROUP (494)	236.71	−1.4	16.22	5.56	7.87	240.04	240.19	237.42	236.83	204.
51	Oils (6)	666.89	+1.9	11.83	3.15	8.99	654.39	642.72	645.41	643.36	474.
59	500 SHARE INDEX	271.38	−0.8	15.42	5.12	8.05	273.58	272.86	270.46	269.75	226.
61	FINANCIAL GROUP (115)	188.90	−1.9	—	5.36	—	192.56	193.23	190.55	190.92	157.
62	Banks (6)	231.58	−1.9	28.76	5.01	4.49	236.04	237.11	236.34	234.23	177.
63	Discount Houses (10)	250.57	+0.2	—	7.32	—	250.09	248.53	243.66	245.29	205.
64	Hire Purchase (5)	163.99	−1.1	20.26	5.27	6.36	165.78	166.14	161.58	166.82	139.
65	Insurance (Life) (10)	156.38	−2.9	—	6.50	—	161.13	163.15	158.81	159.68	129.
66	Insurance (Composite) (8)	122.95	−3.1	—	7.35	—	126.86	128.53	125.20	126.73	128.
67	Insurance Brokers (10)	268.63	−2.4	18.70	6.84	7.65	275.24	276.78	275.07	276.86	322.
68	Merchant Banks (14)	97.51	−0.6	—	5.36	—	98.13	98.24	98.03	97.16	79.
69	Property (42)	336.08	−0.9	3.15	2.61	48.60	339.18	336.41	331.84	332.60	226.
70	Miscellaneous (10)	121.46	−0.8	15.32	7.35	8.36	122.45	121.97	120.42	120.97	104.
71	Investment Trusts (111)	212.10	−0.6	—	5.26	—	213.44	213.38	212.51	213.46	209.
81	Mining Finance (4)	126.44	−2.3	15.79	5.95	7.69	129.47	129.18	128.17	129.73	98.
91	Overseas Traders (20)	356.81	−0.7	15.51	6.86	8.19	359.45	358.17	356.13	355.64	306.
99	ALL-SHARE INDEX (750)	248.40	−1.0	—	5.23	—	250.94	250.58	248.24	247.97	208.

FIXED INTEREST PRICE INDICES

	British Government	Thurs., June 21	Day's change %	xd adj. today	xd adj. 1979 to date
1	Under 5 years	104.74	−0.12	—	4.56
2	5-15 years	113.77	−0.13	—	5.01
3	Over 15 years	119.23	[illegible]	—	[illegible]
4	Irredeemables	128.60	—	—	[illegible]
5	All stocks	112.01	−0.12	—	[illegible]

FIXED INTEREST YIELDS

Br. Govt. Av. Gross Red.

			Thurs., June 21	Wed., June 20	Year ago (approx.)
1	Low Coupons	5 years	10.57	10.52	8.[illegible]
2		15 years	11.11	11.09	11.[illegible]
3		25 years	11.62	11.62	11.[illegible]
4	Medium Coupons	5 years	12.29	12.21	11.[illegible]
5		15 years	[illegible]	[illegible]	[illegible]
6		25 years	[illegible]	[illegible]	[illegible]
7	High Coupons	5 years	[illegible]	[illegible]	[illegible]
8		15 years	[illegible]	[illegible]	[illegible]
9		25 years	[illegible]	[illegible]	[illegible]
10	Irredeemables		[illegible]	[illegible]	[illegible]

		Thurs., June 21 Index No.	Yield	Wed. June 20	Tues. June 19	Mon. June 18	Fri. June 15	Thurs. June 14	Year ago (approx.)
15	20-yr. Red. Deb & Loans (15)	56.96	13.03	57.00	56.81	56.34	56.42	56.40	56.66
16	Investment Trust Prefs. (15)	48.38	13.79	48.38	48.25	48.07	48.98	48.98	50.13
17	Coml. and Indl. Prefs. (20)	69.10	13.83	69.10	69.55	69.59	70.04	70.04	70.29

† Redemption yield. Highs and lows record, base dates and values and constituent changes are published in Saturday issues. A list of the constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 13p, by post 22p.

AUTHORISED UNIT TRUSTS

INSURANCE AND PROPERTY BONDS

OFFSHORE AND OVERSEAS FUNDS

Jardine Fleming & Co. Ltd.

46th Floor, Connaught Centre, Hong Kong

Jardine Estn. Tst.	HK$338.27	....	2.30	
Jardine J'pn Fd.*	HK$373.27	+0.77	0.90	
Jardine S.E.A.	US$17.02	-0.40	2.10	
Jardine Flem. Int.	US$12.86	+0.09	0.80	
Intl. Pac. Secs. (Inc.)	US$13.27	-0.17	1.30	
Do. (Accum.)	US$13.46	-0.17	—	

NAV June 15. *Equiv. US$73.11. Next sub. day July 15

Leopold Joseph & Sons (Guernsey)

Hirzel Ct., St. Peter Port, Guernsey. 0481-26648.

L.J. Sterling Fund	£10.08	10.09	.....	—

Warburg Invest. Mngt. Jrsy. Ltd.

1, Charing Cross, St. Helier, Jsy. C1 0534 73741

CMF Ltd May 31	$US13.33	13.67	.....	2.90
CMT Ltd. May 31	£13.46	13.81	.....	2.80
Metals Tst May 17	£16.00	16.40	.....	5.46
TMT June 14	US$11.10	11.39	.....	2.84
TMT Ltd. June 14	£10.81	11.09	.....	1.96

World Wide Growth Management

10a, Boulevard Royal, Luxembourg

Worldwide Gth Fd	US$18.19	+0.10	—

Wren Commodity Trust

10, St George's St., Douglas IoM 0624 25015

Wren Commod. Tst.	38.0	38.4	.....	—

NOTES

Prices do not include $ premium, except where indicated ♦, and are in pence unless otherwise indicated. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ♥ Net of tax on realised capital gains unless indicated by ♦. § Guernsey gross. # Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies.

FT SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

INTERNATIONAL BANK

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Public Board and Ind.

Financial

103¼	98¼	FFI 13pc 1981	99½	......	13.13	13.31
107	100	Do. 14pc '79	101	......	14.24	—
108¼	98¼	Do. 14pc '83	102½	......	13.66	13.23
86½	77½	ICFC 5½pc Deb. '80-82	83	+½	6.76	12.40
85	71½	Do. 6¼pcDb. '81-84	76	......	8.32	12.70
99	84½	Do 10½pc Uns.Ln. '86	89½xd	−½	11.73	12.90
99	84½	Do. 11pc Uns.Ln. '88	89½xd	−½	12.29	12.90
101½	84	Do. 11¾pc Uns.Ln. '90	92xd	......	12.77	13.20
72½	57	Do. 7¼pcADeb. '89-92	63½xd	......	11.42	13.10
69	53½	Do. 7¼pcA Db. '91-94	63½	......	11.81	13.20
81½	64½	Do.9pc'A' '91-94	75½	......	13.30	13.10
77½	62½	Do.8¾pcLn. '92-97	74	......	12.75	13.30
101	95½	Do. 12½pc. Uns. Ln. 1992	96½	+½	13.81	14.10

FOREIGN BONDS & RAILS

U.S. $ & DM prices exclude inv. $ premium

AMERICANS

S.E. List Premium 15¾% (based on US$2.1440 per £)
Conversion factor 0.6646 (0.6685)

CANADIANS

S.E. List Premium 15¾% (based on $2.5220 per £)

BANKS AND HIRE PURCHASE

16	13	Dawes (G. R.)	13	......	—	—	—	—
£121	£75½	Deutsche Bank DM50	£76½	−½	Q18%	—	3.1	—
90	63	F. C. Finance	65	−2	2.2	4.9	4.8	6.0
8¼	5¼	First Nat. 10p	7	......	—	—	—	0.5
4	3	Do. Wrrts. 75-83	3	......	—	—	—	—
16¼	13½	Fraser Ans. 10p	14	......	—	—	—	—
252	178	Gerrard Natnl	242	+2	9.12	—	5.4	—
62	45	Gibbs (A.)	46	......	2.2	—	6.8	—
270	217	Gillett Bros. £1	258	......	16.95	—	9.4	—
29	19	Goode D't Mry.5p	24	......	0.25	—	1.5	—
153	116	Grindlays	127	−4	3.07	7.5	3.5	3.9
120	97	Guinness Peat	100	......	H5.67	—	8.1	—
330	173	Hambros	298	......	10.92	—	5.4	—

BANKS & HP—Continued

Hire Purchase, etc.

BEERS, WINES AND SPIRITS

BUILDING INDUSTRY, TIMBER AND ROADS

CHEMICALS, PLASTICS

CHEMICALS, PLASTICS—Cont.

DRAPERY AND STORES

ELECTRICAL AND RADIO

ENGINEERING MACHINE TOOLS

ENGINEERING—Continued

FOOD, GROCERIES, ETC.

FOOD, GROCERIES—Cont.

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INSURANCE—Continued

[illegible]

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TEAS

India and Bangladesh

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Sri Lanka

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Africa

[illegible]

MINES

CENTRAL RAND

[illegible]

EASTERN RAND

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FAR WEST RAND

[illegible]

O.F.S.

[illegible]

FINANCE

[illegible]

DIAMOND AND PLATINUM

[illegible]

CENTRAL AFRICAN

[illegible]

MINES—Continued

AUSTRALIAN

[illegible]

TINS

[illegible]

COPPER

111	56	Messina R0.50	87	-1	—	—	—

MISCELLANEOUS

[illegible]

GOLDS EX-$ PREMIUM

London quotations for selected South African gold mining shares in U.S. currency excluding the investment dollar premium. These prices are available only to non-UK residents.

$17½	$10½	Buffels R1	$14¼	-⅛	Q200c	♦	16.2
$15½	890c	East Drie R1	$14⅜	-⅛	†Q115c	1.6	9.3
950c	350c	East Rand Pro R1	900c	......	†Q10c	—	1.3
$27	$18¼	F.S. Geduld 50c	$25¼	......	†Q315c	2.4	14.1
$19	$11⅛	Pres. Brand 50c	$18¾	-¼	†Q150c	3.2	9.5
$17¾	$10¼	St. Helena R1	$17¼	......	†Q190c	1.4	12.3
760c	407c	Stilfontein 50c	665c	-5	†Q66c	♦	12.4
$34⅞	$18¼	Vaal Reefs 50c	$34⅛	-⅛	Q280c	2.7	9.4
$50¼	$28¾	West Drie R1	$49½	......	Q615c	1.7	23.0
$35¾	$22¼	West Hldgs. 50c	$34½	-⅛	†Q415c	1.4	14.1
$16¾	$10⅝	Western Deep R2	$16⅛	-⅛	Q147½c	2.1	10.8

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on the basis of net distribution; bracketed figures indicate 10-per cent. or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent. and allow for value of declared distributions and rights. Securities with denominations other than sterling are quoted inclusive of the investment dollar premium.

- A Sterling denominated securities which include investment dollar premium.
- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- †† Unlisted security.
- ¢ Price at time of suspension.
- § Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividends or forecasts.
- ♦ Merger bid or reorganisation in progress.
- ♦ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend: cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ♥ Excluding a final dividend declaration.
- ✦ Regional price.
- ‖ No par value.

a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend, cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1979-80. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1978-79. K Figures based on prospectus or other official estimates for 1978. M Dividend and yield based on prospectus or other official estimates for 1978. N Dividend and yield based on prospectus or other official estimates for 1979. P Figures based on prospectus or other official estimates for 1978-79. Q Gross. T Figures assumed. Z Dividend total to date. §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

"Recent Issues" and "Rights" Page 40

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £500 per annum for each security

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

Albany Inv. 20p	26	......	Sheff. Refrshmt	87	......
Bertam	25	+1	Sindall (Wm.)	140	......
Bdg'wtr Est. 50p	410	......	**IRISH**		
Clover Croft	28	......	Conv. 9% '80/82	£87⅞	-7½
Craig & Rose £1	£11½xd	......	Alliance Gas	65	......
Dyson (R. A.) A	38	......	Arnott	390	......
Ellis & McHdy	68	......	Carroll (P.J.)	115xd	......
Fife Forge	54	......	Clondalkin	86	......
Finlay Pkg. 5p	19	......	Concrete Prods.	101	......
Graig Ship. £1	275	......	Heiton (Hldgs.)	81	......
Higsons Brew	78	......	Ins. Corp.	217	......
Holt (Jos) 25p	260	......	Irish Ropes	87½xd	......
I O M. Stm. £1	165	......	Jacob	45	......
Pearce (C. H.)	235	......	T.M.G.	190	-8
Peel Mills	30	......	Unidare	86	......

OPTIONS
3-month Call Rates

Industrials					
		I.C.I.	24	Tube Invest.	30
A. Brew	9	"Imps"	8	Unilever	55
BOC Intl.	6	I.C.L.	55	U.D.T.	5
B.S.R.	7	Inveresk	7	Utd. Drapery	10
Babcock	18	KCA	5	Vickers	18
Barclays Bank	32	Ladbroke	22	Woolworths	7½
Beecham	52	Legal & Gen.	14		
Blue Circle	18	Lex Service	11	**Property**	
Boots	18	Lloyds Bank	25	Brit. Land	7½
Bowaters	18	"Lots"	5	Cap. Counties	9
B.A.T.	29	London Brick	7	Land Secs.	25
Brown (J.)	50	Lonrho	8	MEPC	17
Burton 'A'	26	Lucas Inds.	25	Peachey	13
Cadburys	7	"Mams"	18	Samuel Props.	14
Courtaulds	10	Mrks. & Spncr	11	Town & City	2¼
Debenhams	8	Midland Bank	30		
Distillers	21	N.E.I.	14	**Oils**	
Dunlop	6½	Nat. West. Bank	28	Brit. Petroleum	100
Eagle Star	14	Do. Warrants	15	Burmah Oil	13
E.M.I.	12	P & O Dfd.	10	Charterhall	5
Gen. Accident	21	Plessey	10	Premier	5
Gen. Electric	35	R.H.M.	5	Shell	25
Glaxo	50	Rank Org.	25	Ultramar	25
Grand Met.	14	Reed Intnl.	18		
G.U.S. 'A'	30	Sears	5½	**Mines**	
Guardian	24	Spillers	4½	Charter Cons.	16
G.K.N.	28	Tesco	7	Cons. Gold	20
Hawker Sidd.	26	Thorn	35	Rio T. Zinc	27
House of Fraser	18	Trust Houses	17		

A selection of Options traded is given on the London Stock Exchange Report page

FINANCIAL TIMES

Friday June 22 1979

Confusion grows over Saudi Arabia's plans

BY RICHARD JOHNS, MIDDLE EAST EDITOR

CONFUSION ABOUT Saudi Arabia's strategy at next week's conference of the Organisation of Petroleum Exporting Countries was increased yesterday when Crown Prince Fahd was quoted as saying that Saudi Arabia has no plans "now or at any time soon" of raising its production.

In an interview published by the New York Times yesterday *he did not elaborate except to* say that his country would oppose any rise in the basic price of oil at the conference. But if there was an increase it should be "reasonable and moderate."

He appeared to be limiting severely the room for manoeuvre of Sheikh Ahmed Zaki Yamani, Saudi Minister of Oil, at the OPEC conference. The threat of raising output *above the 8.5m barrels a day* ceiling currently imposed upon its main producing fields is *Saudi Arabia's most hopeful* means of achieving a moderate, unified price.

In the oil industry yesterday there was some speculation that Crown Prince Fahd may have been referring to the removal of the official 8.5m b/d ceiling.

It was imposed early in 1978 as an annual average, but Saudi Arabia was prepared to raise the level of production to 9.5m b/d during the first quarter to make up for the cut-off in supplies from Iran—though technically the maximum limit remained in force. Thus, Crown Prince Fahd might not have been ruling out the possibility *of output exceeding 8.5m b/d* on a temporary basis.

Sheikh Yamani spoke in *different terms yesterday* in Copenhagen. He said that his Government would be prepared to consider raising output 1m b/d if the West reduced its consumption by a total of 2m-4m b/d, or by 5-10 per cent.

In London early this week Sheikh Yamani attached no such conditions for a rise of 1m b/d *from July*, saying merely: "I don't rule out such a possibility."

According to oil industry executives, Saudi Ministers and senior officials have recently in*dicated that Saudi Arabia would* keep its options open in advance of the OPEC meeting at which most members want to see a unified price established.

In practice, however, Saudi Arabia might feel politically unable to make such a concession to Western consumers by allowing output to rise above 8.5m b/d for fear of the hostility it might provoke from radical Arab states—particularly Iraq and Syria, where anger and indignation over the U.S. engineered Egyptian - Israeli peace treaty is still high.

Saudi Arabia is understood to be ready to compromise with *other producers at the OPEC* conference on a unified price based on $17.50 for its Arabian Light *"marker" crude*. This would compare with and involve a 20 per cent hike over the level of $14.55 set at the last meting in March, to which Saudi Arabia has stuck, while other producers have progressively added surcharges and, in the process, destroyed any semblance of a price structure.

The majority in OPEC want to force Saudi Arabia to unify at a level not less than $20. *Among them is the United Arab* Emirates which has over the past few years faithfully aligned itself with Saudi Arabia and joined it in sticking to a lower price than the others during the OPEC price split in the first half of 1977. Thus, the chances are that the multi-tier pricing system will stay.

Shell expects OPEC revenue to rise 42 per cent, Page 8
Energy Review, Page 13

Strike will hit UK air services

BY PHILIP BASSETT, LABOUR STAFF

AIR SERVICES throughout Britain are likely to be severely disrupted today by a strike by Civil Service air traffic control and meteorological officers.

Naval dockyard work and many other Government scientific and technical operations are also likely to be halted by the one-day strike by members of the traditionally moderate Institution of Professional Civil Servants. Up to 95 per cent of the union's 100,000 members are expected to back the stoppage. Further selective strikes will begin next week.

Both domestic and international flights will be affected today. The British Airport *Authority said yesterday* that most, if not all, scheduled flights to and from London's Heathrow Airport could be cancelled or diverted today after the union said the strike would close the airport for 24 hours from midnight last night.

Gatwick and Stansted airports expected to operate normally today, but British Airways thought it would have to cancel a "substantial number" of domestic and international flights.

The Civil Aviation Authority has warned international airlines of the disruption. It said services were likely to be "severely restricted."

Flights will be hit by strike action by air traffic controllers at West Drayton, meteorological staff at the Meteorological Office, Bracknell, and at airports, and by engineers at electricity supply installations which provide power for radar *and computer equipment*.

The early warning station at Fylingdales, north Yorkshire, *will also be affected.*

The Ministry of Defence yesterday advised Government dockyard workers not to report for work today.

Other effects will include the cancellation of MoT tests for about 2,500 heavy lorries.

The dispute centres on a 36-47 per cent pay claim for about *40,000 professional* and technical staff, mainly engineers, and 10,000 related staff, and a *20-33 per cent claim for about* 20,000 scientists. Both claims are based on the findings of an independent pay comparability report.

The Government has offered to meet the scientists' claim, though on condition that the union accepts its 15.5 to 24.1 per cent offer to the professional and technical staff.

THE LEX COLUMN

Racal begins to lift the veils

Although Racal had said at the interim stage that it would make in excess of £57m in 1978-1979, its performance nonetheless never ceases to amaze. In a year when the important Iranian military market disappeared and most big UK exporters were bitterly complaining about the *sharp rise in sterling*, Racal pushed its pre-tax profits up from £49.8m to £61.6m on a *turnover of just £227m.*

Compared with its average 50 per cent per annum growth in the previous six years, this latest performance is a bit below par. Nevertheless, analysts are pencilling in growth of 25 per cent per annum over the next few years which should take profits close to the £100m mark by 1980-81.

For a domestic stock market starved of growth companies *this is heady stuff indeed.* Not that the company falls over *itself to explain* where all this growth is coming from—the official explanation is that this would help competitors. However, as a first step it has started breaking down its main product categories.

The *fastest* growing part of the business last year was data communications which accounted for 32 per cent of sales. Radio communications accounted for 44 per cent and other activities for 24 per cent. *All told, military sales probably* took half of Racal's output.

Despite issuing American *Depositary receipts* at the beginning of this year, the U.S. institutions have not climbed aboard the Racal bandwagon in any numbers yet. At 462p a prospective fully taxed multiple of 14 is demanding by U.S. standards, even though the company has nearly doubled its dividend, taking the yield to a princely 2.4 per cent.

Money rates

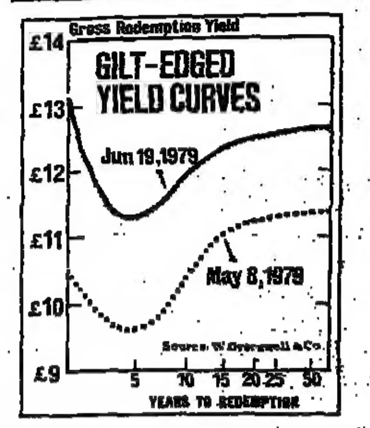
It looks as though the money put up for the STC offer for sale *yesterday, at probably rather* more than £200m, rivalled the size of the subscriptions to the two new Government stock issues. The bulk of both of these issues will now be available to be operated as normal taps, and this could mean a quiet period immediately ahead; yesterday the FT Government Securities Index eased 0.12 points to 70.76.

The yield curve now presents a curious, wavering and indecisive pattern. Money market *rates slope downwards from* 13½ per cent at three months to 12½ per cent at one year, and yields rise only to 13 per cent on the longest dated high coupon gilts.

Have rates now gone high enough? The latest Monetary Bulletin from brokers W. Greenwell points out that a key reason for the two-point rise in MLR in the Budget lay in the impact that the switch from direct to indirect taxation will have on money GDP. With the price level rising by some 3½ per cent because of the increases in VAT, both the demand for money and the supply will tend to rise. This means that the Government's money targets are more restrictive than they would have been with *an unchanged tax structure.*

Greenwell's hopes that interest rates are now peaking *rest upon the expectation that* the economy will soon enter a recession, and that the gilt-edged market will have the nerve to look beyond the com ing credit crunch. But yeste day the market decided that wager at £15 down on the lon tap meant taking too much of risk.

Index fell 10.2 to 474.9



Wilkinson Match

Annual profits from Wilki son Match are a third highe at £19m pre-tax, but the sect breakdown shows that parts the business are in some dif culty. Pre-interest profits a up from £17.6m to £24.9m, which perhaps £6m came fro the acquisition of the Tr Temper hand-tool business. De pite stagnant sales, the mat side has increased its contrib tion by £2.1m to £12.6m, wh loss elimination on the Con nent and growth in fire prot *tion have brought in nearly £3*

But losses are mounting personal products (razor bla and sunglasses) and in writ instruments, and the underlyi trend in profits is deteriorati Despite a seasonal bias, Wilk son only made a fraction mo *profits in the second half* last year than in the first, a the first six months of this ye could be quite tough.

The group is an obvious v tim of the strength of sterli with three-quarters of its p fits arising overseas. Hig interest rates are also paint with net borrowings up roughly three-quarters of worth. And recovery in ra blades is at least a year away

The rapid growth of disp able razors has bitten a big h into the market for dout edged blades, where the gro used to make all its mon Wilkinson is hanging on grir to market share in the UK, margins have been shot pieces and it is in the mid of an expensive new prod launch. *The long-term future* writing instruments and s glasses—both relatively rec *diversifications—seems un* tain. The shares yield just un 10 per cent at 175p.

Pakistan's nuclear move angers the West

BY SIMON HENDERSON AND DAVID FISHLOCK

PAKISTAN'S efforts to build a nuclear bomb have led to the effective suspension of an offer by the United States to sell it 50 F-5E fighter-bombers.

Fears of a possible breach of security have also led the governments of Britain, West Germany and Holland to start a joint investigation of their tripartite uranium enrichment company, Urenco.

The investigation centres on an allegation that Urenco drawings of the uranium enrichment technology have found their way to Pakistan.

The U.S. aircraft sale was an attempt to persuade Pakistan to abandon its A-bomb ambitions.

But despite the cut-off two months ago of American aid to *Islamabad*, Pakistan's nuclear weapon programme is believed by Western governments to be *still continuing and is causing* deep concern.

The Carter Administration is *no longer prepared to lobby for* congressional approval of the aircraft sales, to a country which has rejected all efforts to persuade it to sign the Non-Proliferation Treaty.

General Zia's military government is developing a process for highly enriching uranium by the gas centrifuge process, at an establishment near Rawalpindi.

"Pakistan has the equipment and the knowhow. It is just a question of time before a bomb can be assembled," diplomats say. Some observers suggest this could be within two years.

Pakistan's efforts to make an A-bomb began under the government of Mr. Z. A. Bhutto, when India exploded a nuclear weapon in 1974.

It ordered a plant for reprocessing spent nuclear fuel from France — a technology which would have allowed it to separate pure plutonium, a potential nuclear explosive.

But the international outcry which followed the Indian explosion eventually persuaded France to renege on its contract with Pakistan.

Officially Pakistan claims that the country wants to acquire the technology *only* for peaceful purposes. In his latest interview General Zia said nuclear *power was the only alternative* when the country exhausted all its other reserves, but that at *present there was only one* commercial power station in operation and no orders had *been made for any more.*

Spent fuel reprocessing can only be justified in economic terms if a country has a substantial nuclear power programme.

General Zia said this week that if Pakistan was to survive it must stand on its feet—economically, politically and militarily. In a radio interview he said: "Once we have done that, we will be respected."

Balked in its efforts to obtain plutonium separation technology, Pakistan appears to have turned its attention to the main alternative nuclear explosive, highly enriched uranium.

One way of enriching uranium on a relatively small scale is called the gas centrifuge process, already being developed as a potential commercial technique for making nuclear fuel in several European countries, the U.S., Japan, Australia and elsewhere.

Urenco was set up in 1970 by the governments of Britain, West Germany and Holland, in order to pool the secret work of all three countries on the gas centrifuge as a potentially cheaper way of enriching uranium for nuclear fuel. Urenco has set up enrichment factories at Capenhurst, England, and Almelo, in Holland.

The company operates under the Treaty of Almelo, signed by the three partners, which imposes strict security both to prevent its technology being used for the proliferation of nuclear weapons and to maintain tight commercial security

Background, Page 4

More Sterling gains against weak dollar

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

STERLING made further sharp gains yesterday against both a weak dollar and other leading currencies.

The pound was in demand for most of the day in very active trading, though there was some profit-taking towards the close.

Sterling closed 70 points up against the dollar at $2.14 after a peak of $2.1485. This represents a three-day gain *of 3.38 cents.*

But the pound's strength is much more than a response *to the weakness of the dollar.* The trade-weighted index, measuring the value of ster*ling against a basket of other* currencies, rose 0.3 to 68.9 after a peak of 69.0.

Since last week's Budget, the index has risen by 2¼ per cent to its highest level since March 1976, when the big slide in sterling started. So far this year the appreciation has been 7.6 per cent.

The recent strength reflects a combination of the weakness of the dollar, high UK interest rates relative to returns abroad and general overseas confidence in Britain in view of rising North Sea oil production.

The latest rise is causing some *discomfort* to the authorities in view of the rapid erosion of the competi*tive position of British goods.* Officials are waiting to see the impact of the relaxation of exchange controls announced in the Budget on capital outflows; so far the move may have boosted foreign confidence and hence sterling.

The foreign demand for sterling does not, however, appear to have worked through to the gilt-edged market. Both the new issues on offer yesterday—£800m of *1984* stock and *£1bn of 1999* stock—attracted only limited interest.

The bulk of both issues was left with the Bank of England and will now be operated on tap to the market. Only about £150m to £200m in total may have been subscribed, more was put up for the *1984* stock than the 1999 issue.

Both stocks were offered in a partly-paid form and all tenders were allotted in full at the minimum prices. The result of the issues led to small falls in some gilt-edged prices.

The limited sums subscribed yesterday coupled with the £750m proceeds from sales last week will help to limit the growth of the money supply in the June and July banking months.

In the Commons yesterday Mr. Nigel Lawson, Financial *Secretary, said the* Government regarded the projected 9 per cent annual rate *of growth of sterling M3,* the broadly defined moneys supply, in the 10 months to *mid-April as a "firm target."*

Steel break-even target stands

BY CHRISTIAN TYLER, LABOUR EDITOR

THE British Steel Corporation could be breaking even by its target date of March 1980 when *Government subsidies cease,* Sir Charles Villiers, chairman of BSC, said yesterday.

He cleared up some confusion about the corporation's financial prospects following a *recent meeting* with Sir Keith Joseph, the Secretary for Industry who has since said that he is still sceptical about the chances of hitting the target.

Sir Charles said he had told *Sir Keith that BSC could meet* the deadline but not that it definitely would succeed. He added: "We are going to be operating at a rate of break-even from the time I mentioned. I see no reason at the moment why we should not do it."

Earlier he had told the con*ference* of the steel workers' union, the Iron and Steel Trades Confederation, in Bourne*mouth, that the figures for the* first half of the current financial year were better, but *there remained a "huge* amount of loss."

Last year's loss to be announced *in a fortnight, is* likely to be about £325m-£330m.

Sir Charles said that the industry *was* also under the "looming shadow" of another bout of inflation—possibly the 17½ per cent *rate* quoted by *the* Government recently. At the same time it faced a flat market for steel and a strong and rising pound, which hurt the competitiveness of British Steel abroad.

The only big plant closure that BSC will attempt for the time being is at Corby Northants, where the Corporation wants to take out iron and steel making with the loss of about 6,000 *jobs.*

Sir Charles would not say yesterday whether it was a question of whether or when Corby's steel-making would shut down. It was a matter for local negotiation over what he described as a "frightening problem" for the tube works.

He urged the Corby men to *speed up negotiations* at local level and to call in BSC Industry, the body which tries *to create new jobs in areas* affected by steel plant closures. This Steel Corporation subsidiary *could discuss* what alternative work might be brought into the town. The Corby works were *running* at a loss of several million pounds a month, he said.

Sir Charles would *not*, however, comment on BSC plans for Shotton, North Wales, which the local workers believe is next in line for big job losses.

At Consett, County Durham, there was considerable worry about the future of the plate mill.

Parliament, Page 14

Weather

CLOUDY with rain spreading to most parts by the end of the day.

London, S. England, E. Anglia, E. Midlands

Mostly dry with bright periods, becoming cloudy. Wind W, moderate. Max. 20C (68F).

Channel Isles, S.W. and N. England, W. Midlands

Dry, becoming cloudy, with rain spreading from West. Max. 19C (66F).

Wales, N.W. England, Lakes

Cloudy with bright intervals and rain from the West. Max. 18C (64F).

W. Scotland, Highlands, Ulster

Cloudy with rain, showery later. Wind fresh to strong. Max. 12C (54F).

E. Scotland, Orkney

Bright periods, becoming cloudy with rain from the West. Wind moderate to fresh. Max. 15C (59F).

Outlook: Rain or showers in most areas.

		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	S	22	72	Corfu	F	23	73
Algiers	S	27	81	Dublin	F	16	61
Amsdm	S	25	77	Dbrvnk	C	19	66
Bahrain	S	39	97	Ednbgh.	C	14	57
Barcina.	F	24	75	Faro	S	24	75
Belfast	C	14	57	Florence	C	25	77
Belgrd	C	22	72	Frankf't	S	27	81
Berlin	S	25	77	Funchal	S	21	70
Biarritz	F	20	68	Geneva	S	23	73
Bmghm.	C	17	63	Gibrltr.	S	25	77
Blackp'l	R	13	55	Glasgow	R	13	55
Bords.	S	27	81	G'rnsey	C	16	61
Boulgn.	F	19	66	Helsinki	S	21	70
Bristol	C	17	63	H. Kong	S	29	84
Brussels	S	26	79	Innsbr'k	F	14	57
B. Aires	R	14	57	Invrnss.	C	14	57
Cairo	S	32	90	I o Man	C	12	54
Cardiff	C	17	63	Istanbul	F	28	82
Cas'b'ca	C	21	70	Jersey	C	15	59
Cape T.	S	32	90	Jo'burg	S	14	55
Chicago	S	28	83	L. Plms.	S	22	72
Cologne	S	26	79	Lisbon	F	21	70
Cpnhgn.	S	23	73	Locarno	S	24	75

		Y'day midday °C	°F			Y'day midday °C	°F
London	C	20	68	Perth	C	21	70
L. Ang.	S	17	63	Prague	F	22	72
Luxmbg.	S	24	75	Reykjvk.	C	7	45
Luxor	S	44	111	Rhodes	S	26	79
Madrid	F	31	88	Rio J'o	S	26	79
Majorca	S	27	81	Rome	S	24	75
Malaga	S	25	77	Salzb'rg	F	21	70
Malta	S	25	77	Singapr.	C	27	81
Mchstr.	R	13	55	Stckhm	S	24	75
Melbne.	F	13	55	Strasb'g	S	26	79
Milan	S	26	79	Sydney	R	17	63
M'treal	S	26	79	Tangier	F	23	73
Moscow	C	18	64	Tehran	S	26	79
Munich	S	20	68	Tel Aviv	S	29	84
Nairobi	C	20	68	Tenerife	C	17	63
Naples	F	22	72	Tokyo	C	30	88
N York	S	22	72	Toronto	C	19	67
Nice	S	22	72	Valencia	F	26	79
Nicosia	S	28	82	Venice	S	24	75
Oporto	C	17	63	Vienna	C	19	66
Oslo	S	20	68	Warsaw	F	23	73
Paris	S	26	79	Zurich	S	23	73

C—Cloudy. F—Fair. R—Rain. S—Sunny.

Tax cuts will shed 1,000 Revenue jobs

BY MICHAEL LAFFERTY

THE TAX CUTS announced in *the Budget will result in the* loss of more than 1,000 Inland Revenue jobs in a full year, according to the *Finance Bill* which was published yesterday.

The Bill which gives effect to the Budget taxation *measures* estimates *that* the new tax changes will reduce the Inland Revenue staff requirement by 440 man-years in 1979-1980, and by 1,430 man-years in the year 1980-81.

There should also be some labour savings at H.M. Customs and Excise as a result of the *unification of VAT rates, though* precise figures have not been given.

The Inland Revenue expects to achieve the reductions *through natural wasteage,* mainly in lower clerical grades.

Mr. Tony Christopher, secre*tary of the Inland Revenue Staff* Federation, said yesterday that the effect of inflation of earnings would simply mean that staffing demands would be increased significantly in the Revenue within a year. If the Government wanted to achieve staff reductions of 10 per cent at the Inland Revenue, imply*ing a loss of about 7,500 jobs*, he predicted that it would be necessary to abolish taxes such as Capital Gains Tax, Capital Transfer Tax and Stamp Duty entirely.

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Continued from Page 1

EEC leaders

The Government has *promised a* decision on UK involvement in the exchange rate mechanism by September.

The decision on the central bank swap facilities means that the UK will deposit a fifth of the gold and dollar content of its official reserves—between $3bn and $4bn—with the Euro*pean Monetary Co-operation* Fund in return for the issue of European Currency Units. These units consist of a basket of all nine EEC currencies with the balance determined by the *relative economic importance of* each country.

No exchange risk will be involved *since the UK will retain* ownership of the gold and dollar holdings deposited in return for *the European Currency Units.* The arrangements will last for a maximum of two years and *will be renewable on a three*-month revolving basis.

Since the UK is not involved *in the currency intervention* part of EMS the only likely use of the European Currency Units *will be if Britain wishes to* exchange them to obtain other EEC currencies such as Deutschemarks.

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